Erin Resources Limited and Controlled Entities

ABN 30 116 800 269

FINANCIAL REPORT
30 JUNE 2014

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Corporate Directory

Directors	Brett Mitchell Executive Director Nick Castleden - *Appointed 12 May 2014* Non-Executive Director Nick Poll Non-Executive Director Grant Davey - *Resigned 12 May 2014* Non-Executive Director
Company Secretary	Rachel Jelleff
Registered Office and Principal Place of Business	Level 7, 1008 Hay Street Perth WA 6000 Telephone: +61 8 9389 2000 Facsimile: +61 8 9389 2099
Auditors	PKF Mack & Co Level 4, 35 Havelock Street West Perth WA 6005 Telephone: +61 8 9426 8999 Facsimile: +61 8 9426 8900
Solicitors	Steinepreis Paganin Lawyers Level 4, The Read Buildings 16 Milligan Street , Perth WA 6000 Telephone: +61 8 9321 4000 Facsimile: +61 8 9321 4333
Share Registrar	Computershare Investor Services Pty Limited ABN 48 078 279 277 Level 2, Reserve Bank Building 45 St Georges Tce, Perth WA 6000 Telephone: 1300 787 272 Facsimile: +61 8 9323 2033
Stock Exchange Listing	Erin Resources Limited shares and options are listed on the Australian Stock Exchange (ASX) • Code ‘ERI’ for ordinary shares • Code ‘ERIOB’ for listed options
Website	www.erinresources.com.au

Directors' Report

The Directors present their report on Erin Resources Limited ("the Company") and its controlled entities ("group") for the financial year ended 30 June 2014.

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

Director	Title	Appointment Date	Resignation Date
Brett Mitchell	Executive Director	4 April 2013	-
Nick Castleden	Non-Executive Director	12 May 2014	-
Nick Poll	Non-Executive Director	4 April 2013	-
Grant Davey	Non-Executive Director	21 June 2012	12 May 2014

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

Company Secretary
Rachel Jelleff held the position of Company Secretary for the full financial year.

Principal Activities
The Company is a gold focused exploration company with projects in Senegal.

Operating Results
The consolidated loss of the group amounted to $5,337,815 (2013: $766,897).

Dividends Paid or Recommended
No dividends have been paid or declared for payment during, or since, the end of the financial year.

Directors' Report

Review of Operations

- **Erin's gold exploration projects significantly upgraded during the year**
- **First-stage aircore drilling at Lingokoto gold project in Senegal extends the strike length of near-surface gold mineralisation to 1km, with ore grade intercepts**
- **Infill aircore and deep RC drilling to commence in late 2014**
- **Lingokoto prospect remains open at depth and along strike to the south-west**
- **Maleko gold prospect upgraded with new soil anomaly extending length to at least 1.2km**
- **Initial Maleko drilling results include 7m at 10.2 g/t Au, with only 140m of strike drill-tested to date**

Erin Resources Ltd (ASX: ERI) is pleased to report on what has been a highly successful year on the ground in Senegal for the Company, marked by drilling results which confirmed the significant potential of its Lingokoto gold project. Erin's key gold projects in Senegal, Lingokoto and Maleko, are located in a region that hosts several multi-million ounce deposits which is what the Company is targeting.

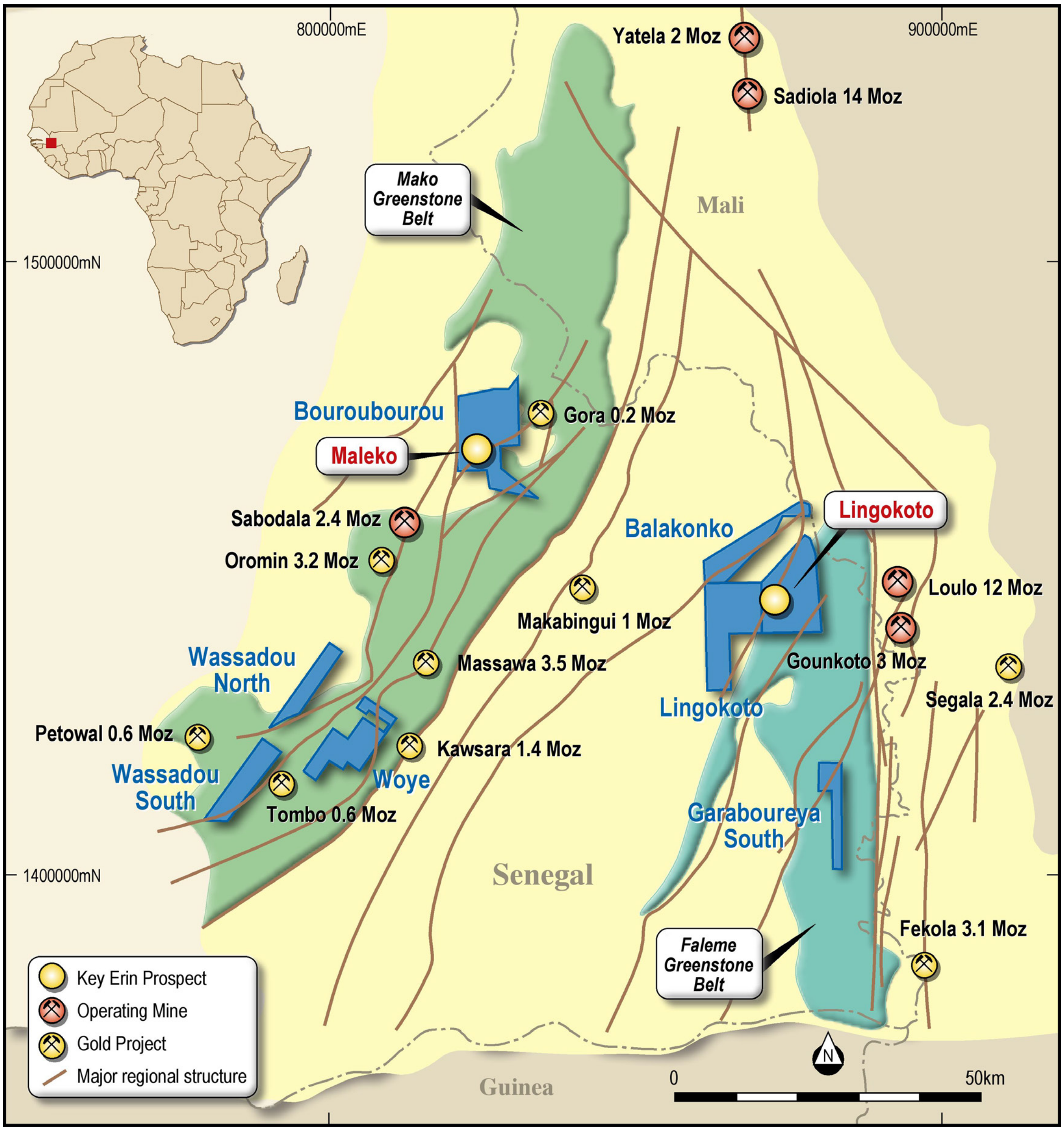

Figure 1. Regional Plan Senegal Permits and Location of Lingokoto Permit

Directors' Report

Lingokoto Gold Project

The 2014 drilling results show Lingokoto is emerging as a substantial gold system, with mineralisation now outlined over a 1km strike length. Importantly the system remains open to the south-west on the tenement boundary.

The region to the east of the permit contains several 1moz-plus gold deposits, including Randgold Limited's Loulo goldmine (more than 12Moz gold) which sits 24km east from the Lingokoto discovery.

The results, which come from the first systematic drilling program at Lingokoto, have extended the known mineralisation 980m to the south-west of the initial RAB intersections, which included a near-surface result of 6m at 51.5gpt (see ASX release dated January 29, 2014).

The latest assays show that the mineralisation runs in two parallel zones up to 90m wide, recorded within 35m of the surface and mostly in weathered bedrock (Figure 2).

This first phase aircore drilling program has now been completed, with the next phase of the exploration program and further drilling to commence with the end of the wet season in Senegal.

The aircore drilling followed up an initial RAB traverse completed at Lingokoto in December 2013. That single RAB traverse revealed the existence of wide zones of strongly anomalous gold in weathered bedrock.

As well as confirming mineralisation over a significant length and width, the latest results highlight the potential for additional mineralisation to be identified in infill and extensional drilling and in fresh rock below the weathered material drilled to date. This fresh rock will be tested as part of a follow-up RC drilling program.

Importantly, the mineralisation outlined follows the path of the 1.5km-long soil anomaly. Both the soil anomaly and the mineralisation remain open to the south-west.

Initial Lingokoto Drilling Results Confirm Significant Discovery

The aircore line 360m to the south-west of the initial RAB traverse intersected zones of up to **18m at 1.66g/t end-of-hole** (including **12m at 2.14g/t**). Results from adjacent holes include **12m at 0.97g/t**, **6m at 1.52g/t** and **6m at 1.01g/t** (Figure 3). The same line also intersected results such as **9m at 1.19g/t** and **9m at 1.05g/t** in other anomalous zones.

Directors' Report

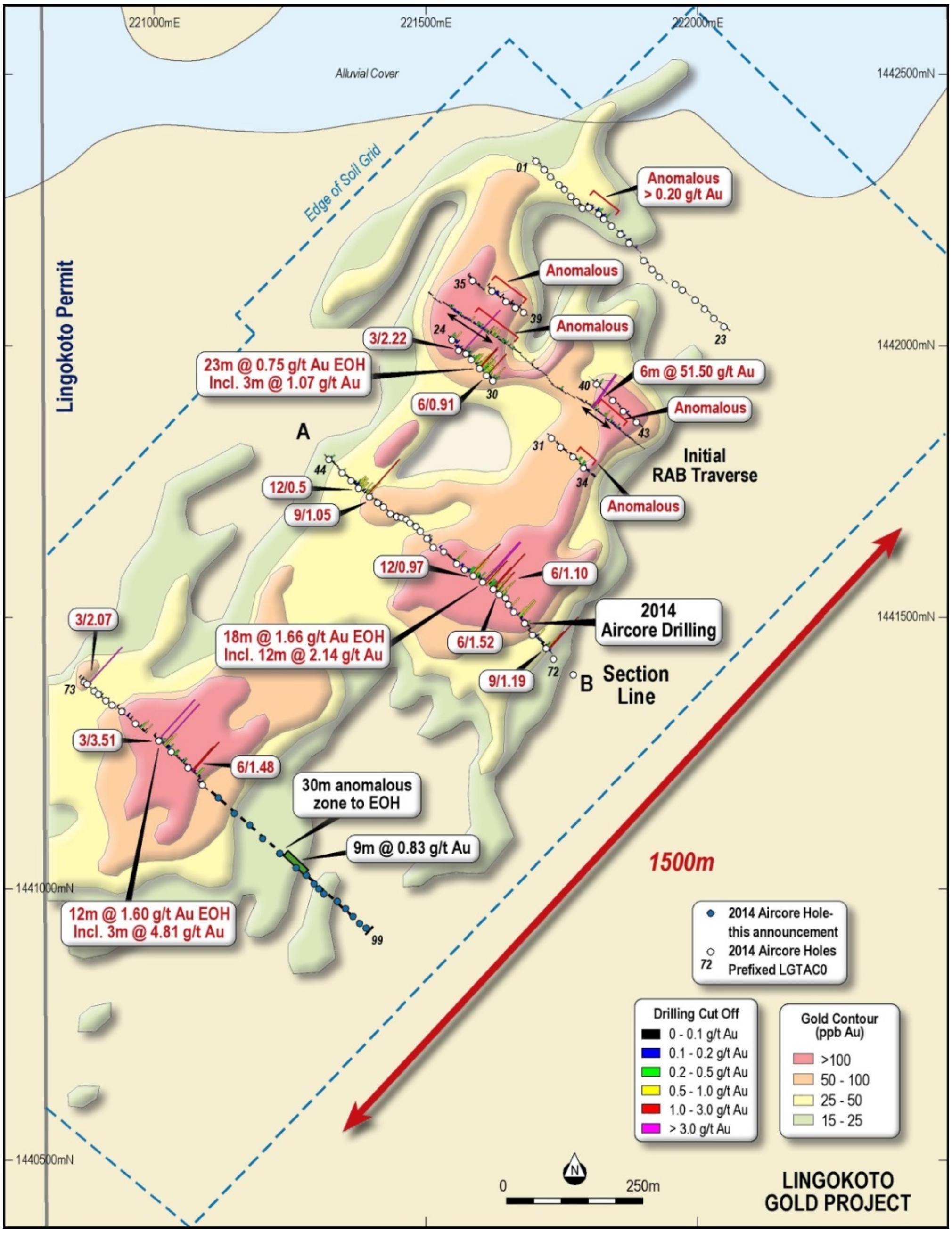

Figure 2. Lingokoto Gold Project – Aircore collar locations with gold intercepts. Initial RAB line and soil anomalism also shown.

The southern-most line drilled to date (980m south-west of the initial RAB traverse) has returned results of **3m at 4.81g/t**, **3m at 3.51g/t**, **3m at 2.07g/t** and **6m at 1.47g/t** in several anomalous areas.

An extensional traverse drilled 320m to the north-east of the original RAB line returned anomalous (>0.20g/t Au) gold results in the expected structural position.

Directors' Report

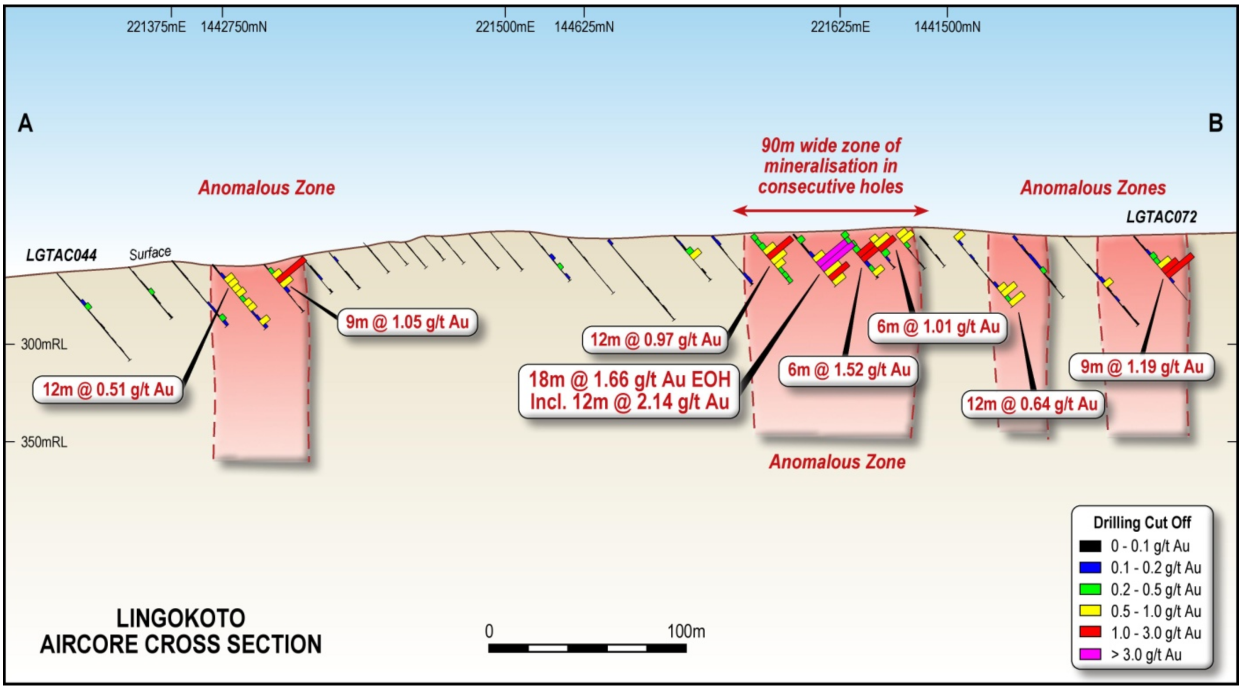

Figure 3. Gold intercepts on aircore traverse 360m SW of initial RAB line

Erin also completed four short validation drill lines flanking mineralised parts of the initial RAB traverse, which have confirmed bedrock mineralisation in this area. A 70m-wide zone of anomalism has results to **24m at 0.75g/t EOH** including **6m at 1.07g/t**; and **3m at 2.20g/t** (Figure 2).

All assay results are from three metre composite samples. Significant assay results above a 0.5g/t Au cut-off grade are set out in Table 1 below.

Drilling is at an early stage and initial observations are that gold anomalism is predominately hosted by saprolitic clays below a laterite profile. Observed lithologies include greywacke, volcanoclastic sediments, diorite, quartzite and zones of sericite-silica-tourmaline-pyrite alteration.

Table 1: Lingokoto Aircore Drilling Results (>0.50g/t Au)

Hole Number	E UTM 29*	N UTM 29*	RL	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intercepts (>0.50g/t)	
LGTAC026	221566	1441995	128	50	132	25	6	9	3m @ 2.22g/t Au	
LGTAC028	**221591**	**1441968**	**125**	**50**	**132**	**32**	**9**	**32**	**23m @ 0.75g/t Au**	**EOH**
						incl.	15	18	3m @ 1.07g/t Au	
LGTAC029	221604	1441955	126	50	132	26	6	12	6m @ 0.64g/t Au	
						and	18	24	6m @ 0.91g/t Au	
LGTAC030	221616	1441945	130	50	132	24	15	18	3m @ 0.71g/t Au	
LGTAC047	221369	1441748	144	50	132	41	9	21	12m @ 0.51g/t Au	
						and	36	39	3m @ 0.54g/t Au	
LGTAC048	221389	1441732	144	50	132	30	6	15	9m @ 1.05g/t Au	
LGTAC061	221549	1441609	158	50	132	28	12	15	3m @ 0.62g/t Au	
LGTAC063	221580	1441587	158	50	132	30	9	21	12m @ 0.97g/t Au	
LGTAC064	**221597**	**1441575**	**159**	**50**	**132**	**33**	**15**	**33**	**18m @ 1.66g/t Au**	**EOH**
						incl.	**18**	**30**	**12m @ 2.14g/t Au**	

Directors' Report

Hole Number	E UTM 29*	N UTM 29*	RL	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intercepts (>0.50g/t)	
LGTAC065	221617	1441562	159	50	132	28	12	18	6m @ 1.52g/t Au	
						and	6	9	3m @ 0.63g/t Au	
LGTAC066	221627	1441552	157	50	132	19	3	9	6m @ 1.01g/t Au	
LGTAC067	221639	1441546	159	50	132	22	0	6	6m @ 0.7g/t Au	
LGTAC069	221654	1441520	140	50	132	45	33	45	12m @ 0.64g/t Au	EOH
LGTAC071	221689	1441478	140	50	132	57	30	33	3m @ 0.5g/t Au	
LGTAC072	**221713**	**1441453**	**140**	**50**	**132**	**41**	**18**	**27**	**9m @ 1.19g/t Au**	
LGTAC074	220870	1441388	119	50	132	28	21	24	3m @ 2.07g/t Au	
LGTAC081	**221002**	**1441284**	**122**	**50**	**132**	**49**	**15**	**18**	**3m @ 3.51g/t Au**	
						and	**33**	**45**	**12m @ 1.6g/t Au**	
						incl.	**33**	**36**	**3m @ 4.81g/t Au**	
LGTAC083	221056	1441234	125	50	132	65	30	36	6m @ 1.48g/t Au	
LGTAC084	221082	1441202	125	50	132	63	12	15	3m @ 0.5g/t Au	

* modified UTM grid Zone 29N

Figure 4. Variably silicified and pyrite altered sediments at Lingokoto Project

Directors' Report

Maleko Anomaly Doubled to 1.2km

In May 2014, the Company reported fresh soil sampling results from the Maleko prospect. These results confirmed Maleko as the Company's second highly promising gold project in Senegal, with the anomaly more than doubling in length to 1.2km.

Drilling at Maleko last year returned strong results from bedrock, including 7m at 10.4gpt. The drilling program was only conducted over a 140m strike length, with the best results coming from the most western traverse against the original permit boundary, where the anomaly now remains open for a further 1km.

Erin intends to conduct a second round of drilling at Maleko commencing in late 2014 after the end of the current wet season. This will follow the priority drilling program at the Lingokoto gold project.

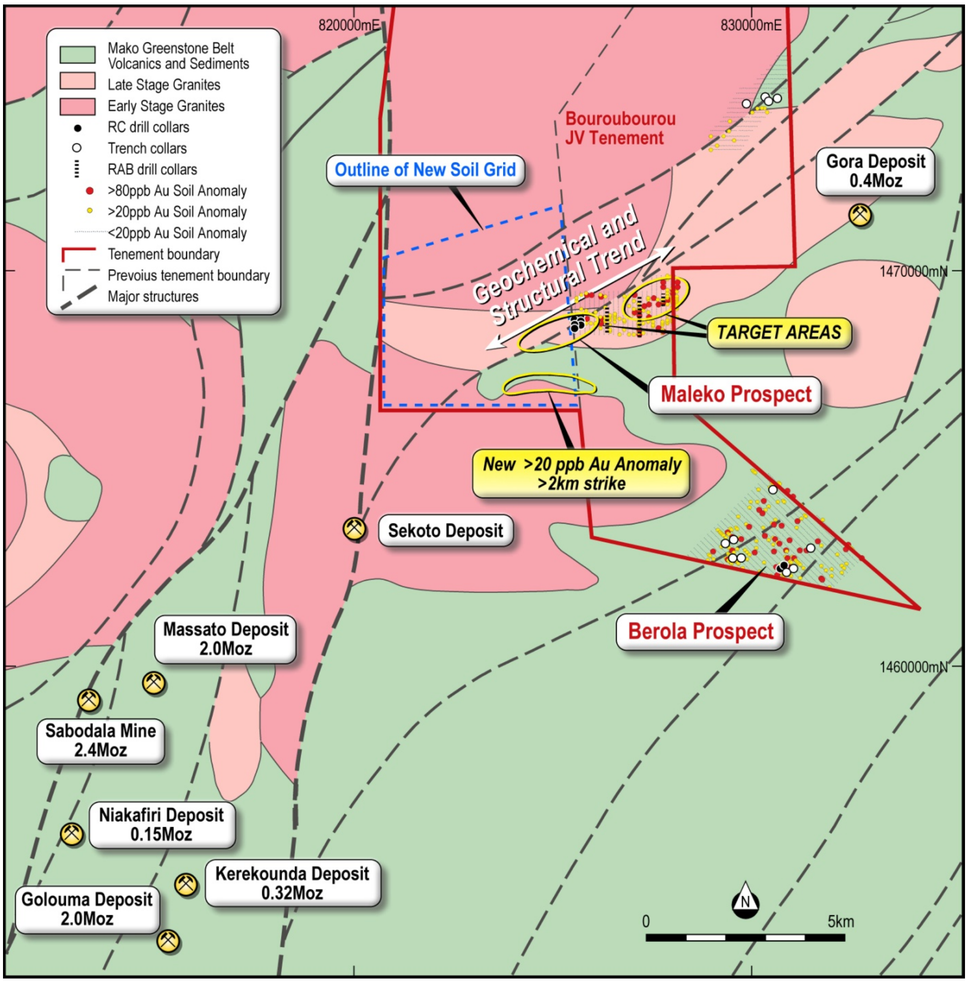

Figure 5. Erin target areas & new soil grid in relation to regional geology and gold deposits

Background

Erin holds 640km^2 of exploration permits in Senegal and a portfolio of 7 strategically located permits (Figure 1). All the Company's projects lie within the Kedougou inlier that extends over eastern Senegal and along the country's western border with Mali. There are 4 multi-million ounce gold deposits that have recently been discovered within 25 kilometers of Erin's projects and in Senegal: Loulo (12m oz), Masawa (3.6m oz), Petowal (1.6m oz) and Oromin (3.7m oz).

Directors' Report

About 30M oz of gold has been discovered in Senegal over the last 10 years and the Kedougou inlier hosts over 45M oz of gold in resources. This inlier forms a part of the Birimian shield, which covers most of West Africa and hosts over 280M oz of gold.

Senegal only recently commenced industrial scale gold mining and production at Sabodala mine in 2009. The country's mining code, introduced in 2003, is based on mining codes found in Australia and Canada.

Competent Persons Statement

The information in this document that relates to Exploration Results is based on information compiled or reviewed by Mr Nick Castleden who is a member of the Australian Institute of Geosciences. Mr Castleden is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castleden consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Exploration results referring to Lingokoto have been previously disclosed by Erin Resources in accordance with JORC 2012 in the announcements dated 29/01/2014 entitled 'High Grades Encountered in First Pass Drilling'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The exploration results relating to the other projects were previously prepared and disclosed under the JORC Code 2004 and have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified from the original market announcement. Refer to www.erinresources.com for details on exploration results.

Significant Changes in State of Affairs
There were no significant changes in the state of affairs of the Company during the year.

After Balance Date Events
Following the end of the financial year, the Company issued 3,500,000 (1,750,000 exercisable at $0.025 expiring 30 June 2017 and 1,750,000 exercisable at $0.04 expiring 30 June 2017) options to key management personnel. The Company also issued 19,000,000 (9,500,000 exercisable at $0.025 expiring 30 June 2017 and 9,500,000 exercisable at $0.04 expiring 30 June 2017) options to Directors on 17 September 2014 following approval from shareholders at the General Meeting on 8 September 2014. Apart from this matter no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may affect the group's operations, the results of those operations, or the group's state of affairs in future.

Change in nature and scale of operations
There was no change in nature and scale of operations of the Company during the year.

Environmental Issues
The group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the group during the financial year.

Future Developments, Prospects and Business Strategies
The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial year. Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the group.

Directors' Report

Information on Directors and Secretary
Names, qualifications experience, and special responsibilities of current directors and company secretary

Brett Mitchell	**Executive Director**
Qualifications	BEc
Experience	Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries. He has been involved in the founding, financing and management of both private and publicly-listed resource companies and holds executive and non-executive directorship roles. Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is also a member of the Australian Institute of Company Directors (AICD).
Interest in Shares and Options	Brett and Michelle Mitchell <Mitchell Spring Family A/C> 4,787,224 Ordinary Shares 1,799,223 Listed Options exercisable at $0.02 each on or before 30 June 2015 1,500,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 1,500,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017 Brett and Michelle Mitchell <Lefthanders Super Fund A/C> 1,156,670 Ordinary Shares 578,335 Listed Options exercisable at $0.02 each on or before 30 June 2015 1,000,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 1,000,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017 Verona Capital Pty Ltd holds the following securities, in which Mr Mitchell has a 20% beneficial interest- 16,500,000 Ordinary Shares 3,500,000 Ordinary Shares escrowed until 28 September 2014 10,000,000 Listed Options exercisable at $0.02 each on or before 30 June 2015 escrowed until 28 September 2014 4,000,000 Unlisted Options exercisable at $0.20 each on or before 30 June 2017
Directorships held in other listed entities within the past three years	Digital CC Limited (5 September 2014 – current) Citation Resources Ltd (24 November 2011 - current) Tamaska Oil and Gas Ltd (1 August 2011 – current) Wildhorse Energy Ltd (22 April 2009 – 29 August 2014) Transerv Energy Ltd (24 July 2006 – 19 August 2013) Quest Petroleum NL(21 May 2007 – 5 June 2013)
Nick Castleden	**Non-Executive Director**
Qualifications	BSc (Hons)
Experience	Mr Castleden is a geologist with over 20 years of experience in the mineral exploration and development industry. He has worked with Australian mining companies including Mt Isa Mines, Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities and has had operational experience in Africa, North and South America and across Australia. Mr Castleden has specific experience in the gold, nickel and base metal exploration business and has participated in the discovery and delineation of new gold and nickel sulphide systems that have progressed through feasibility studies to successful mining.

Directors' Report

Interest in Shares and Options	David Nicholas Castleden 3,500,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 3,500,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017 Anna Louise Murphy (Wife) 1,185,148 Ordinary Shares 280,035 Listed Options exercisable at $0.02 each on or before 30 June 2015
Directorships held in other listed entities within the past three years	Apollo Consolidated Limited (4 August 2009 – current) DGI Holdings Limited (renamed iCollege Limited) (27 August 2012 – 1 May 2014) Allied Consolidated Limited (renamed Disruptive Investment Group Limited) (8 October 2012 – 1 February 2013)
Nick Poll	**Non-Executive Director**
Qualifications	BSc (Hons), MSc (Geol), MSc (Bus)
Experience	Mr Poll is a geologist with over 25 years of experience in the geological and business development of mining projects. Most recently, he was co-founder and Managing Director of Mirabela Nickel Limited and led the discovery, development and construction of the Santa Rita nickel project. Santa Rita is the largest nickel sulphide discovery in over a decade and was built within 5 years - from first drill hole to first nickel production. The mine now produces about 20,000t of nickel a year at a cash cost below US$6.00/lb of nickel. Mr Poll held various positions in exploration and mining projects for gold and nickel over a long career with WMC Resources Limited. During this time, he established and managed WMC's early stage gold exploration program in French Guiana. Mr Poll has a BSc (Hons) from the University of Western Australia, an MSc in geology from the Colorado School of Mines and an MSc in business from the London Business School. He speaks fluent French and Portuguese and is a member of the Australian Institute of Mining and Metallurgy (AIMM) and the Australian Institute of Company Directors (AICD).
Interest in Shares and Options	Mr Nicholas Poll and Mrs Claire Poll <Poll Investment Family Trust> 1,000,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 1,000,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017
Directorships held in other listed entities within the past three years	Nil
Grant Davey	**Non-Executive Director - *resigned 12 May 2014***
Qualifications	BSc Mining Eng. (Wits)
Experience	Mr Davey is a Mining Engineer with over 20 years gold operational experience having worked in senior operational roles in Africa and Australia with AngloGold Ashanti, Anglo Coal and Forbes & Manhattan. Mr Davey was contracted by the Company last year to run the technical and project due diligence process on Erin's Senegal joint venture properties and headed the Company's team that negotiated the acquisition of Erin.
Interest in Shares and Options	Grant Davey 2,083,334 Ordinary Shares 208,334 Listed Options exercisable at $0.02 each on or before 30 June 2015 1,250,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 1,250,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017

Directors' Report

	Elgra Consultancy Pty Ltd 1,866,667 Ordinary Shares 1,155,279 Listed Options exercisable at $0.02 each on or before 30 June 2015
	Davey Management (Aus) Pty Ltd <Davey Family Super Fund A/C> 1,154,627 Ordinary Shares 678,239 Listed Options exercisable at $0.02 each on or before 30 June 2015 1,250,000 Unlisted Options exercisable at $0.025 each on or before 30 June 2017 1,250,000 Unlisted Options exercisable at $0.04 each on or before 30 June 2017
	Verona Capital Pty Ltd holds the following securities, in which Mr Davey has a 30% beneficial interest- 16,500,000 Ordinary Shares 3,500,000 Ordinary Shares escrowed until 28 September 2014 10,000,000 Listed Options exercisable at $0.02 each on or before 30 June 2015 4,000,000 Unlisted Options exercisable at $0.20 each on or before 30 June 2017 escrowed until 28 September 2014
Directorships held in other listed entities within the past three years	Cradle Resources Ltd (15 April 2013 - current) Forbes and Manhattan Coal Corp. (April 2010 - September 2011)
Rachel Jelleff	**Company Secretary**
Experience	Miss Jelleff has 5 years' experience as a Company Secretary on both private and public companies, working on acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and compliance of public companies. Miss Jelleff is also Company Secretary of Digital CC Limited.

Directors' Report

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Erin Resources Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Erin Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Erin Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5% (financial year 2014: 9.25%) and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates 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. Independent external advice is sought when required. 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. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Directors' Report

Remuneration Report (continued)

Performance-based Remuneration

As part of each member of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel are involved in and have a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

Mr Brett Mitchell, Mr Nicholas Poll, Mr Nicholas Castleden and Mr Grant Davey had contracts in place with the Company during the financial year as detailed below:

Mr Brett Mitchell, Executive Director

- Agreement commenced 1 January 2014, no termination date;
- Annual Directors' fees of $25,000 per annum; and executive fee of $71,000 per annum.

Mr Brett Mitchell, Non- Executive Director

- Agreement commenced 4 April 2013, and terminated 31 December 2013; there were no termination fees paid;
- Directors' fees for the year ended 30 June 2014 of $30,000 per annum.

Mr Nicholas Castleden, Non-Executive Director

- Agreement commenced 12 May 2014, no termination date;
- Annual Directors' fees of $25,000 per annum
- Consultancy fees of $36,000 per annum, with an additional $2,000 per annum on for demanding months.

Mr Nicholas Poll, Non-Executive Director

- Agreement commenced 1 January 2014, no termination date;
- Annual Directors' fees of $25,000 per annum

Mr Grant Davey, Non-Executive Director

- Agreement commenced 4 April 2013, and terminated 12 May 2014 December 2013; there were no termination fees paid;
- Directors' fees for the year ended 30 June 2013 and going forward of $30,000 per annum.

Directors' Report

Remuneration Report (continued)

Summary of Key Management Personnel Remuneration

The totals of remuneration paid to Key Management Personnel (KMP) of the Company and the group during the year were as follows:

	CONSOLIDATED GROUP 30-Jun-14 $	30-Jun-13 $
Short-term employee benefits	159,708	489,979
Post-employment benefits	-	-
Share based payments	-	49,782
	159,708	539,761

Details of Remuneration

Compensation of Key Management Personnel Remuneration – 2014

	Short-term Benefits		Post-employment benefits				
Key Management Personnel	Cash, salary and commissions	Other	Superannuation	Termination benefits	Equity	Share based Payment Options	Total
Directors							
Brett Mitchell	25,000	44,500	-	-	-	-	69,500
Nick Castleden [1]	4,167	30,000	-	-	-	-	34,167
Nick Poll	25,000	10,416	-	-	-	-	35,416
Grant Davey [2]	20,625	-	-	-	-	-	20,625
Total	74,792	84,916	-	-	-	-	159,708

[1] Appointed on 12 May 2014 [2] Resigned on 12 May 2014

All Directors have contracts with the Company.

Compensation of Key Management Personnel Remuneration – 2013

	Short-term Benefits		Post- employment Benefits				
Key Management Personnel	Cash, salary and commissions	Other	Superannuation	Termination benefits	Equity	Share based Payment Options	Total
Directors							
Brett Mitchell [1]	7,500	-	-	-	-	-	7,500
Nick Poll [2]	24,030	31,241	-	-	-	-	55,271
Grant Davey [3]	30,000	139,167	-	-	-	-	169,167
Jim Malone [4]	17,500	-	-	-	-	-	17,500
Jason Davis [5]	-	-	-	-	-	-	-
Robert Besley [6]	16,250	-	-	-	-	-	16,250
David Chapman [7]	20,834	-	-	-	-	-	20,834
Key Management Personnel							
Mark Fleming [8]	111,097	-	-	-	-	-	111,097
Paul Cranney	92,360	-	-	-	-	49,782	142,142
Total	319,571	170,408	-	-	-	49,782	539,761

[1] Appointed on 4 April 2013 [2] Appointed on 4 April 2013 [3] Appointed on 21 June 2012 [4] Resigned on 4 April 2013 [5] Resigned on 25 September 2012 [6] Resigned on 4 April 2013 [7] Resigned on 14 September 2012 [8] Resigned on 10 November 2012

Directors' Report

Remuneration Report (continued)

Options Holdings of Key Management Personnel

Details of options and rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

Options holdings 2014

Key Management Personnel	Opening Balance 1.07.2013	Granted/Purchased	Sold	Closing Balance 30.6.2014
Directors				
Brett Mitchell*	-	2,377,558	-	2,377,558
Nick Poll	-	-	-	-
Nick Castleden	-	280,035	-	280,035
Grant Davey*[1]	-	2,041,852	-	2,041,852
Total	-	4,699,445	-	4,699,445

*Verona Capital Pty Ltd, a company controlled 30% by Grant Davey and 20% by Brett Mitchell, held 14,000,000 options at 30 June 2014.

[1] Resigned 12 May 2014 – Closing balance is as at resignation date

Shareholdings of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by KMP and their parties are as follows.

Shareholdings 2014

Key Management Personnel	Opening Balance 1.07.2013	Granted as Compensation	Options Exercised	Net Other Changes[2]	Closing Balance 30.6.2014
Directors					
Brett Mitchell*	1,783,168	-	-	4,160,726	5,943,894
Nick Poll	-	-	-	-	-
Nick Castleden	65,000	-	-	1,120,148	1,185,148
Grant Davey*[1]	1,531,388	-	-	3,573,240	5,104,628
Total	3,379,556	-	-	8,854,114	12,233,670

*Verona Capital Pty Ltd, a company controlled 30% by Grant Davey and 20% by Brett Mitchell, held 20,000,000 shares at 30 June 2014.

[1] Resigned 12 May 2014 – Closing balance is as at resignation date.

[2] Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.

End of Remuneration Report

Directors' Report

Meetings of Directors

The Directors attendances at Board meetings held during the year were:

	Board Meetings	
	Number eligible to attend	**Number attended**
Brett Mitchell	4	4
Nicholas Castleden (appointed 12 May 2014)	2	2
Nicholas Poll	4	4
Grant Davey (resigned 12 May 2014)	3	3

The Company does not have any remuneration, nomination or audit committees, these functions are performed by the Board.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Erin Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. A Corporate Governance Policy is included as part of this report.

Options

At the date of this report the unissued ordinary shares of Erin Resources Limited under option are as follows:

Issue Date	Date of Expiry	Exercise Price	Number under Option
14 September 2012	30 June 2017	$0.20	4,000,000
23 January 2013	23 January 2018	$0.30	1,000,000
23 January 2013	23 January 2018	$0.35	500,000
23 January 2013	23 January 2018	$0.40	500,000
30 August 2013, 12 September 2013, 16 April 2014, 1 May 2014, 16 May 2014	30 June 2015	$0.02	119,344,890
22 July 2014, 17 September 2014	30 June 2017	$0.025	11,250,000
22 July 2014, 17 September 2014	30 June 2017	$0.04	11,250,000
Total			**147,844,890**

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors of the Company as named above, the Company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium.

The Company has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

Proceedings on Behalf of Company

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

Directors' Report

Non-audit Services

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

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

During the year, there were no fees paid or payable for non-audit services by PKF Mack & Co and its related practices.

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 21 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue on 24 September 2014 by the Directors of the Company.

Brett Mitchell
Executive Director
Dated 24 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ERIN RESOURCES LIMITED

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

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

24 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au
PKF Mack & Co | ABN 74 254 453 660
4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia
PO Box 609 | West Perth | Western Australia 6872 | Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

		CONSOLIDATED GROUP	
		30-Jun-14	**30-Jun-13**
	Note	**$**	**$**
Revenue	*2*	11,357	25,660
Professional and consultancy fees		(146,051)	(131,022)
Marketing expenses		(12,326)	(9,383)
Directors' fees		(119,083)	(106,972)
Employee benefit expenses	*3*	(94,548)	(183,397)
Office and administrative expenses		(30,477)	(72,403)
Depreciation	*9*	-	(8,332)
Impairment provision expense	*10*	(4,834,962)	-
Other expenses		(109,072)	(253,696)
Loss before operating activities		**(5,335,162)**	**(739,545)**
Foreign exchange losses		(2,653)	(27,352)
Loss before income tax		**(5,337,815)**	**(766,897)**
Income tax benefit	*4*	**-**	**-**
Loss after income tax from continuing operations		**(5,337,815)**	**(766,897)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		(711)	24,224
Other comprehensive income (net of tax) for the year		**(711)**	**24,224**
Total comprehensive loss for the year		**(5,338,526)**	**(742,673)**
Total comprehensive loss attributable to:			
Members of the parent entity		(5,338,526)	(742,673)
		(5,338,526)	**(742,673)**
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
From continuing and discontinued operations			
Basic loss per share (cents)	*6*	(3.34)	(1.18)
Diluted loss per share (cents)	*6*	(3.34)	(1.18)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2014

		CONSOLIDATED GROUP	
		30-Jun-14	**30-Jun-13**
	Note	**$**	**$**
CURRENT ASSETS			
Cash and cash equivalents	*7*	595,088	161,432
Other receivables	*8*	68,302	54,826
Deferred expenditure		-	21,502
Total Current Assets		**663,390**	**237,760**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	*10*	4,315,040	8,466,010
Total Non-Current Assets		**4,315,040**	**8,466,010**
TOTAL ASSETS		**4,978,430**	**8,703,770**
CURRENT LIABILITIES			
Trade and other payables	*12*	234,294	352,584
Short-term financial liabilities	*13a*	-	131,405
Total Current Liabilities		**234,294**	**483,989**
NON-CURRENT LIABILITIES			
Loan payable to third party	*13b*	195,000	275,000
Total Non-Current Liabilities		**195,000**	**275,000**
TOTAL LIABILITIES		**429,294**	**758,989**
NET ASSETS		**4,549,136**	**7,944,781**
EQUITY			
Contributed equity	*15a*	15,701,181	14,046,083
Share based payment reserve	*16a*	509,148	221,365
Foreign currency translation reserve	*16b*	23,513	24,224
Retained earnings		(11,684,706)	(6,346,891)
TOTAL EQUITY		**4,549,136**	**7,944,781**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated Group	Contributed Equity $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Total $
Balance at 1 July 2012	**5,764,533**	**-**	**-**	**(4,977,111)**	**787,422**
Total comprehensive loss attributable to members of parent entity	-	-	24,224	(766,897)	**(742,673)**
Erin Mineral Resources Ltd acquisition (note 12)	-	-	-	(602,883)	**(602,883)**
Shares issued during the year	8,281,550	221,365	-	-	**8,502,915**
Balance at 30 June 2013	**14,046,083**	**221,365**	**24,224**	**(6,346,891)**	**7,944,781**
Balance at 1 July 2013	**14,046,083**	**221,365**	**24,224**	**(6,346,891)**	**7,944,781**
Total comprehensive loss attributable to members of parent entity	-	-	(711)	(5,337,815)	**(5,338,526)**
Shares issued during the year (net of share issue costs)	1,655,098	287,783	-	-	**1,942,881**
Balance at 30 June 2014 (note 16)	**15,701,181**	**509,148**	**23,513**	**(11,684,706)**	**4,549,136**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

		CONSOLIDATED GROUP	
		30-Jun-14	**30-Jun-13**
	Note	**$**	**$**
Cash flows from operating activities			
Interest received		7,102	25,660
Payments to suppliers and employees		(378,161)	(561,738)
Refund of research and development rebate		(101,679)	-
Net cash used in operating activities	*21*	**(472,738)**	**(536,078)**
Cash flows from investing activities			
Purchase of plant and equipment	*9*	-	(8,332)
Payments for exploration assets		(507,878)	(2,214,655)
Net cash used in investing activities		**(507,878)**	**(2,222,987)**
Cash flows from financing activities			
Proceeds from borrowings	*13a*	-	131,405
Proceeds from issue of shares and options	*15a*	1,574,494	2,591,600
Capital raising costs		(157,566)	(289,392)
Net cash provided by/(used in) financing activities		**1,416,928**	**2,433,613**
Net increase / (decrease) in cash and cash equivalents held		**436,312**	**(325,452)**
Cash and cash equivalents at beginning of year		161,432	515,827
Foreign exchange movement in cash		(2,656)	(28,943)
Cash and cash equivalents at end of year	*7*	**595,088**	**161,432**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

The financial statements of Erin Resources Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of Directors on 24 September 2014. These consolidated financial statements and notes represent those of Erin Resources Limited (the "Company") and Controlled Entities (the "consolidated group" or "group").

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 as appropriate for 'for-profit' orientated entities.

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

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

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(y).

Financial report prepared on a going concern basis

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

The consolidated group incurred a loss from continuing operations of $5,337,815 (2013: $766,897) during the year ended 30 June 2014 and has a net operating cash outflows of $472,738 (2013: $536,078).

In the Directors' opinion there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable for the following reasons:

(i) As at 30 June 2014 the group had cash and cash equivalents of $595,088; and
(ii) The Company's proposed placement, as agreed on 8 September 2014, will provide the group with sufficient cash to enable the Company to pay its debts as and when they become due and payable for at least the next 12 months from the date of this report.

If the Company and group are unable to continue as a going concern, then assets and liabilities will not be discharged in the normal course of business and at values specified in the financial report.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Changes in accounting policy, accounting standards and interpretations

(i) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. These amendments do not have a material impact on the consolidated group.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 has not had a material impact on the consolidated group.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 has significantly increased the amount of disclosures required to be given by the consolidated group such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved. The adoption of this standard from 1 July 2013 has had a material impact on the consolidated group.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated group from 1 July 2013 has been minimal, however there are increased disclosures where fair value is used.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting (Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of this standard from 1 July 2013 has not had a material impact on the consolidated group

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The application date for the group was 1 July 2013.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards Arising from Interpretation 20

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 has not had a material impact on the consolidated group.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 has increased the disclosures by the consolidated group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The group has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity’s previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods on or after 1 January 2013. They provide an exemption from the requirement to disclose the impact of a change in accounting policy on the current period. The adoption of these amendments will not have a material impact on the consolidated group.

(ii) Accounting standards issued but not effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ending 30 June 2014. The assessment of the impact of these new standards and interpretations are set out below:

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The application date for the Group is 1 July 2014. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

Interpretation 21# Levies

This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. The application date for the Group is 1 July 2014.The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated group.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.
These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below:
a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

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

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

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

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

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There will be no impact on the group as the new requirements only affect the accounting for financial assets that are not held for sale, or are debt instruments, and financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

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

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The application date for the group is 1 July 2014. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 2013-4 Amendments to Australian Accounting Standards –Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The application date for the group is 1 July 2014. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 2013-5 Amendments to Australian Accounting Standards –Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]

These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127. The application date for the group is 1 July 2014. It has been assessed that this amendment will not have any impact on the accounting of the group, but just disclosures required in the notes to the accounts.

Annual Improvements 2010–2012 Cycle

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.
The following items are addressed by this standard:
IFRS 2 -Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.

- IFRS 3 -Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 -Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset the entity's assets.
- IAS 16 & IAS 38 -Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 -Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

The application date for the group is 1 July 2014; it has been determined the above will not have any impact on the accounting, but the disclosures required in the notes to the financials.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Improvements 2011–2013 Cycle

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

The following items are addressed by this standard:

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

The application date for the group is 1 July 2014; it has been determined that the above will not have an impact on the group accounts.

AASB 1031 Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. The application date for the group is 1 July 2014; it has been determined that the above will not have an impact on the group accounts.

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

The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. The application date for the group is 1 July 2014; it has been determined that the above will not have an impact on the group accounts.

AASB 14 Regulatory Deferral Account

The standard provides interim guidance on rate regulated activities. Rate regulated activities are those where the setting of prices charged to customers for services or products is restricted. Rate regulations are generally imposed by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power. The standard is effective for annual reporting periods beginning on or after 1 January 2016; it has been determined that there is no impact to the group accounts.

The following IFRS amendments have not yet been adopted by the AASB. The impact of these amendments on the consolidated financial statements has not yet been determined; these amendments are noted below for compliance with IFRS:

Amendments to IAS 16 and IAS 38

Clarification of acceptable methods of Depreciation and Amortisation.

IFRS 15 Revenues from Contracts with Customers

The main objectives of this new standard are to:

- provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The model will improve comparability over a range of industries, companies and geographical boundaries ;
- remove inconsistencies and weaknesses in existing revenue recognition standards;
- simplify the preparation of financial statements by reducing the number of requirements to which preparers must refer; and
- enhance disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improving guidance for multiple-element arrangements.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The standard will require retrospective application and is applicable from 1 January 2017, with early adoption permitted.

a. Principles of Consolidation

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the group. Losses incurred by the group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

b. Acquisition of Assets

The acquisition method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued and liabilities assumed at the date of exchange. Where equity instruments are issued in an asset acquisition, the value of the equity instruments is the published market price as at the date of the exchange unless it can be demonstrated that the published price at the date of the exchange is an unreliable indicator of the fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

c. Current and Non-Current classification

The group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Income Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and are recognised for all taxable temporary differences:

- Except where the deferred income tax liability 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; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 can be utilised:

- Except where 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 the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Tax Consolidation

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidated legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 21 October 2005. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable by the group in proportion to their contributions to the group's taxable income.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments

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

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

Impairment
At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

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

f. Impairment of Non-Financial Assets

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

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

g. Employee Benefits

A provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

h. Foreign Currency Translation

i) Functional and Presentation Currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

ii) Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

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

i. Segment Reporting

An operating segment is a component of the consolidated group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated group's other components.
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 Board of Directors.

j. Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

k. Revenue

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each type of revenue as described below.

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

l. 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. 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m. Rounding of Amounts

The Company is a kind referred to in class order 98/100 issued by the Australian securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

n. Contributed Equity

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

o. Share Based Payments

Share based compensation relating to share options are recognised at fair value.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

p. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost, using the effective interest rate method.

q. Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the statement of profit or loss 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 statement of profit or loss.

r. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit/loss 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.

s. Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment 3-5 years

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

t. Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through the statement of profit or loss. Fair value movements are recognised in the statement of profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in the statement of profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

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

v. Fair value measurement

The group measures financial instruments and non-financial assets at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

w. Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Financial Statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. Parent entity financial information

The financial information for the parent entity, Erin Resources Limited, disclosed in note 14 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Erin Resources Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss when its right to receive the dividend is established.

y. Critical Accounting Estimates and Judgements

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

(i) Estimated Impairment

The group tests annually whether exploration and evaluation expenditure have suffered any impairment, in accordance with the accounting policy stated in note 1 (f). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions like commodity price and production quantity. Some of these assumptions may be amended in the future and this may lead to the subsequent impairment of the assets concerned.

(ii) Capitalisation of exploration and evaluation expenditure

The group has capitalised significant exploration and evaluation expenditure on the basis that this is either expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned, or on the basis that it is not yet possible to assess whether it will be recouped. Management are required to make certain judgements in relation to the assessment of whether the areas of interest are commercially viable; where costs are capitalised and are subsequently considered unsuccessful, the capitalised amounts are written off to the statement of profit or loss.

(iii) Income Taxes

The group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(iv) Share Based Payments

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk free rate and expected dividend payout and any applicable vesting conditions.

Management was required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model.

NOTE 2: REVENUE

	CONSOLIDATED GROUP	
	30-Jun-14	**30-Jun-13**
	$	**$**
Interest income	7,102	25,660
Other income	4,255	-
	11,357	25,660

Notes to the Financial Statements

NOTE 3: EXPENSES

EMPLOYEE BENEFITS

	CONSOLIDATED GROUP	
	30-Jun-14	**30-Jun-13**
	$	**$**
Wages and Salaries	80,802	132,131
Employee share option expense (note 19(ii))	13,720	49,782
Other employee costs	26	1,484
	94,548	183,397

NOTE 4: INCOME TAX EXPENSE

		CONSOLIDATED GROUP	
		30-Jun-14	**30-Jun-13**
		$	**$**
(a)	**The components of income tax expense comprise:**		
	current tax		
	deferred tax	(109,931)	(197,993)
	DTA not recognised (losses)	180,246	266,303
	DTA not recognised (temporary)	(70,315)	(68,310)
	Research and development tax refund	-	-
		-	-
b)	**The prima facie tax on Profit/(loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:**		
	Prima facie tax payable on (loss)/profit from continuing operations and discontinued operations before income tax at 30%	(1,601,345)	(87,264)
	Add:		
	Tax effect of:		
	other non-allowable items	1,491,414	32,076
	Other assessable items	-	-
	Less:		
	Tax effect of:		
	Non-assessable items	-	-
	Loss of discontinued operations	-	-
	DTA not recognised (losses)	180,246	266,303
	DTA not recognised (temporary)	(70,315)	(68,310)
	Research and development tax refund	-	-
	Income tax expense/(benefit)	-	-
	Deferred Tax Assets Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in Note (1c) occur		
	Tax Losses	1,195,573	1,015,673
	Temporary Differences	180,555	201,523
	Total	1,376,128	1,217,196

Notes to the Financial Statements

NOTE 5: AUDITORS' REMUNERATION

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Remuneration of the auditors of the group:		
Audit fees and review of financial reports - PKF Mack & Co	28,500	39,500
Accounting advisory services – PKF Mack & Co	-	6,500
Tax advisory services - Hall Chadwick	-	51,755
Total auditors' remuneration	28,500	97,755

NOTE 6: EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Reconciliation of earnings to profit or loss		
(Loss) used in calculating basic and diluted EPS	(5,337,815)	(766,897)
	Number	**Number**
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	159,962,834	64,808,515

NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Cash at bank	595,088	161,432

NOTE 8: OTHER RECEIVABLES

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Current:		
Other receivables	50,589	43,218
GST receivable	8,173	11,002
Prepayments	9,540	606
	68,302	54,826

Other receivables are non-interest bearing and are generally on terms of 30 days.

Notes to the Financial Statements

NOTE 9: PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Plant and equipment		
- at cost	8,332	8,332
- accumulated depreciation	(8,332)	(8,332)
Total plant and equipment	-	-

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Reconciliation of Exploration and Evaluation expenditure:		
Costs brought forward	8,466,010	-
Additions during the year	485,176	3,433,389
Fair value of the exploration and evaluation expenditure acquired	-	4,834,962
Impairment provision expense during the year[1]	(4,834,962)	-
Amortisation of share based payments	197,562	171,580
Foreign currency movement	1,254	26,079
	4,315,040	8,466,010

The value of exploration and evaluation expenditure carried forward is dependent on continued rights of tenure, the results of future exploration and the recoupment of costs through successful development or sale.

[1] In line with accounting standards, an impairment assessment was performed over the carrying values of the exploration and evaluation asset at year end. It was determined that on re-measurement of the assets to the lower of its carrying value and its fair value less costs to sell, an impairment provision of $4,834,962 be recognised and taken to the statement of profit or loss and other comprehensive income.

NOTE 11: CONTROLLED ENTITIES

	Country of incorporation	Percentage Owned (%)* 2014	2013
Parent Entity:			
Erin Resources Limited	Australia		
Subsidiaries of Erin Resources Limited:			
Intramedics Pty Ltd[1]	Australia	-	100
Erin Mineral Resources Limited	Australia	100	100
Subsidiaries of Erin Mineral Resources Limited:			
Erin Minerals Pty Limited	Australia	100	100
Erin Senegal S.A.U	Senegal	100	100

** Percentage of voting power in proportion to ownership*

[1] On 25 December 2013, Intramedics Pty Ltd was deregistered.

Notes to the Financial Statements

NOTE 11: CONTROLLED ENTITIES (CONTINUED)

Disposal of controlled entities

30 June 2014
During the year the group deregistered its wholly owned dormant subsidiary, Intramedics Pty Limited. A total debt of $792 was forgiven by the Company.

30 June 2013
During the year the group deregistered its wholly owned dormant subsidiaries, HEA Management Pty Limited and Health Information Pharmacy MBA Pty Limited. A total debt of $26,200 was forgiven by the Company.

Acquisition of controlled entities

30 June 2014
There were no acquisitions during the year.

30 June 2013
On 14 May 2012, the Company entered into a financing and merger implantation agreement with EMRL. On the 17 August 2012 ('Acquisition date'), the shareholders of Erin approved the acquisition of 100% of the issued share capital of EMRL, an unlisted Australian public company with exploration projects in Senegal. The transaction was completed on 14 September 2012. The salient terms of the agreement were as follows:

Consideration
In exchange for the Company acquiring 100% of the issued share capital in EMRL, the Company issued by way of consideration on a post-Consolidation basis, the following to the EMRL shareholders (in proportion to their existing holdings in EMRL):

- 25,000,000 Shares; and
- 13,000,000 voluntary holding lock shares (VHL Shares) which will may only be released from their holding lock upon the earlier of the following being satisfied:
    - a change in control of the Company; or
    - the Company achieving an enterprise value of at least $25 million for ten consecutive trading days.

The VHL Shares are fully paid ordinary shares and rank equally with all existing shares on issue.

Loan to EMRL
The Company provided a loan facility to EMRL of up to $900,000 to be applied towards advancing the priority exploration activities on the projects up to completion of the acquisition. The loan was interest-free and unsecured. At acquisition date, the loan was drawn to $602,833.

Issue of Shares to Verona
As part of the Agreement with Erin, the Company issued 3,500,000 shares (post consolidation) to Verona Capital Pty Ltd (Verona). The shares issued are, in part consideration, for the provision of corporate and technical services to the Company (refer note 15).

Issue of Options to Verona
In part consideration for the provision of corporate advisory services to the Company, the Company issued 4,000,000 unlisted options (post consolidation) to Verona. The options have an exercise price of $0.20 each expiring on or before 30 June 2017 (refer note 19).

Change of Name
As a result of the acquisition, the Company changed its name from Health Corporation Limited to Erin Resources Limited on 17 August 2012.

Notes to the Financial Statements

NOTE 11: CONTROLLED ENTITIES (CONTINUED)

Change in nature and scale of operations
Following completion of the acquisition of EMRL, the Company became a gold exploration Company. There were also several board changes.

The fair value of assets and liabilities recognized as a result of the acquisition are as follows:

Identifiable assets acquired	**$**
Other receivables	8,393
Exploration and Evaluation expenditure[1]	6,241,607
	6,250,000
Consideration paid	
Fully paid ordinary shares in the Company	
- 25 million shares at $0.25 per share	6,250,000
Contingent consideration	
- 13 million VHL shares (Refer note 19a)	161,636
- 4 million options (Refer note 19b)	9,947
	6,421,583

[1] The fair value of the exploration and evaluation expenditure includes goodwill totaling $4,834,962 associated with the acquisition.

NOTE 12: TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP	
	30-Jun-14	**30-Jun-13**
	$	**$**
Current		
Trade payables	92,946	116,190
Accruals	141,348	134,715
Sundry Payable[1]	-	101,679
	234,294	352,584

[1] This related to a Research and Development claim in relation to the Health Information Pharmacy MBA Pty Ltd, which was subsequently repaid on 1 July 2014.

Refer to note 24 for details on management of financial risk.

NOTE 13: FINANCIAL LIABILITIES

(a) Current liabilities

	CONSOLIDATED GROUP	
	30-Jun-14	**30-Jun-13**
	$	**$**
Short term financial liabilities[1]	-	131,405
	-	131,405

[1] The loan is a short term loan from third parties that is interest free and has no fixed repayment terms.

Notes to the Financial Statements

NOTE 13: FINANCIAL LIABILITIES (CONTINUED)

(b) Non-current liabilities

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
Loan payable to third party[2]	195,000	275,000
	195,000	275,000

[2] The loan payable to Verona Capital Pty Ltd relates to the original acquisition terms of Erin Resources Pty Ltd and is as disclosed in the prospectus dated 26 July 2012; the amounts are unsecured and interest free, and repaid based on future capital raisings or asset sales; on 15 April 2014, $80,000 was settled as payment for entitlement issue shares during the year (refer note 15a).

Refer to note 24 for details on management of financial risk.

NOTE 14: PARENT COMPANY DISCLOSURES

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30-Jun-14	30-Jun-13
	$	$
Current assets	647,303	231,857
Non-current assets	3,784,184	9,125,994
Total Assets	4,431,487	9,357,851
Current liabilities	161,158	216,108
Short term financial liabilities	-	131,405
Non-current liabilities	195,000	275,000
Total Liabilities	356,158	622,513
Contributed equity	15,701,181	14,046,083
Share based payment reserve	509,148	221,365
Accumulated losses	(12,135,000)	(5,532,110)
Total Equity	4,075,329	8,735,338
Loss for the year	(6,501,211)	(580,523)
Total comprehensive loss for the year	(6,501,211)	(580,523)

(b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2014 (30 June 2013: nil).

(c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

Notes to the Financial Statements

NOTE 15: CONTRIBUTED EQUITY

	30-Jun-14 NUMBER	30-Jun-13 NUMBER	30-Jun-14 $	30-Jun-13 $
Ordinary shares on issue, fully paid (refer note 16a)	**244,707,934**	62,958,059	**15,701,181**	14,046,083
VHL shares (refer note 19a)	**13,000,000**	13,000,000	**-**	-
	257,707,934	75,958,059	**15,701,181**	14,046,083

a) Reconciliation of movement in share capital

Reconciliation of share movement for June 2014	**No. Of Shares**	**Issue Price**	**Amount**
Opening balance at 1 July 2013	75,958,059		14,046,083
Capital raising – entitlements issue [4]	24,220,318	0.01	242,203
Capital raising – entitlements issue (underwritten) [5]	54,400,000	0.01	544,000
Exercise of options	46,137	0.02	923
Capital raising – entitlements issue [6]	74,216,156	0.01	742,162
Capital raising – entitlements issue (underwritten) [7]	28,867,147	0.01	288,671
Exercise of options	117	0.02	2
Less: costs of issue			(162,863)
Closing balance at 30 June 2014	**257,707,934**		**15,701,181**

Reconciliation of share movement for June 2013	**No. Of Shares**	**Issue Price**	**Amount**
Opening balance at 1 July 2012	215,000,000		5,764,533
10 for 1 consolidation [1]	**21,500,059**		**5,764,533**
Shares issued on acquisition [2]	25,000,000	0.25	6,250,000
Shares issued to Verona [2]	3,500,000	0.25	875,000
Capital raising [3]	12,958,000	0.20	2,591,600
VHL Share issued to acquired EMRL [2]	13,000,000		-
Less costs of issue	-		(1,435,050)
Closing balance at 30 June 2013	**75,958,059**		**14,046,083**

[1] The Company completed a 10 for 1 consolidation of share capital. This was effective as at 17 August 2012, on approval at the shareholder meeting.
[2] Refer to Note 12 Controlled Entities.
[3] The Company performed a capital raising, pursuant to its prospectus dated 26 July 2012. The Company issued 12,958,000 fully paid ordinary shares at an issue price of $0.20 to raise $2,591,600 before share issue costs.
[4] The Company performed an entitlement issue, pursuant to its prospectus dated 26 July 2013. The Company issued 24,220,318 fully paid ordinary shares at an issue price of $0.01 to raise $242,203 before share issue costs.
[5] The Company performed an underwritten entitlement issue, pursuant to its prospectus dated 26 July 2013. The Company issued 54,400,000 fully paid ordinary shares at an issue price of $0.01 to raise $544,000 before share issue costs.
[6] The Company performed an entitlement issue, pursuant to its prospectus dated 12 March 2014. The Company issued 74,216,156 fully paid ordinary shares at an issue price of $0.01 to raise $742,162.
[7] The Company performed an underwritten entitlement issue, pursuant to its prospectus dated 12 March 2014. The Company issued 28,867,147 fully paid ordinary shares at an issue price of $0.01 to raise $288,671.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

Notes to the Financial Statements

NOTE 15: CONTRIBUTED EQUITY (CONTINUED)

b) Capital risk management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
Consistent with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

The group is not subject to any externally imposed capital requirements.

NOTE 16: RESERVES

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
	$	$
a) Share based payment reserve		
Balance at 1 July	221,365	-
Share based payment movement during the year	287,783	221,365
	509,148	221,365

This comprises the amortised position of the share based payment expense (refer note 19c).

b) Foreign currency translation		
Balance at 1 July	24,224	-
Currency translation differences arising during the year	(711)	24,224
	23,513	24,224

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in note 1(h). The reserve is recognised in profit and loss when the net investment in disposed of.

NOTE 17: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no known contingent liabilities or contingent assets as at the reporting date.

NOTE 18: COMMITMENTS

The Company holds tenements in Senegal and is required to incur minimum expenditure on the tenements to meet both regulatory and joint venture requirements.

Within the financial year to 30 June 2014, all joint venture commitments had been met, and 77% – 80% interests had been earned for all projects in line with the joint venture agreements.

Notes to the Financial Statements

NOTE 18: COMMITMENTS (CONTINUED)

The table below outlines only the minimum local government expenditure requirements on the exploration permits:

	CONSOLIDATED	
	30-Jun-2014 $	30-Jun-2013 $
No later than 1 year	1,333,283	776,742
Later than 1 year but not later than 5 years	1,118,394	237,806
Later than 5 years	1,699,698	-
	4,151,375	1,014,548

NOTE 19: SHARE BASED PAYMENTS

a) Valuation of the Voluntary Holding Lock shares

As part of the acquisition of Erin Mineral Resources Limited (EMRL), Voluntary Holding Lock shares were issued to the EMRL shareholders (refer note 11 Controlled Entities).

The Voluntary Holding Lock shares (VHL Shares) may only be released from their holding lock upon the earlier of the following being satisfied:

a) a change in control of the Company; or
b) the Company achieving an enterprise value of at least $25 million for ten consecutive trading days.

The VHL Shares will be fully paid ordinary shares that will rank equally with all existing shares on issue.

If, within 5 years from the date of issue of the VHL shares, the milestone is not reached and there is no change of control event, in relation to Erin, the VHL Shares will be cancelled by way of selective capital reduction or share buyback at a price of $0.000001 per share.

The VHL shares are included in the acquisition fair value of exploration and evaluation expenditure, and amortised over a period of 5 years.

Number of VHL shares issued	13,000,000
Fair value per share[1]	$0.07
Total value of the issue	$906,588
Amortisation expense (based on 5 years)	$186,110

[1]The shares have been valued based on the probability of the events occurring, using the volatility and the share price on the date of acquisition.

Valuation date	17 August-12
Dividend yield (%)	Nil
Expected volatility (%)	71.75%
Share price at grant date ($)	$0.25
Probability (%)	27.8%

Notes to the Financial Statements

NOTE 19: SHARE BASED PAYMENTS (CONTINUED)

b) Valuation of the options issued

(i) 4 million unlisted options

In part consideration for the provision of corporate advisory services to the Company, the Company issued 4,000,000 unlisted options (post consolidation) to Verona Capital Pty Ltd. The options have an exercise price of $0.20 each expiring on or before 30 June 2017. The options will only vest and become exercisable upon the voluntary holding lock in respect of the VHL Shares being released (refer to note 11).

The fair value of the share options at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

Valuation date	17 August-12
Dividend yield (%)	Nil
Expected volatility (%)	71.75%
Risk-free interest rate (%)	3.09%
Expected life of option (years)	5
Option exercise price ($)	$0.20
Share price at grant date ($)	$0.25
Expiry date	30 June 2017
Performance conditions	Described above
Valuation of option	$0.0051

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions occurring was included in determining the fair value of the options.

The options are amortised over their expected life, being 5 years and included in the fair value acquisition cost of exploration and evaluation expenditure.

Number of options	4,000,000
Fair value per option	$0.01
Total value of the issue	$55,790
Amortisation expense (based on 5 years)	$11,453

(ii) 2 million unlisted options

On 23 January 2013, a total of 2 million unlisted share options were issued to Mr Paul Cranney in consideration for geological consultancy services provided to the Company. The options were issued in three tranches and have an expiry date of 23 Jan 2018.

The fair value of the share options at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Notes to the Financial Statements

NOTE 19: SHARE BASED PAYMENTS (CONTINUED)

The following table lists the inputs to the model used for valuation of options:

	Tranche 1	Tranche 2	Tranche 3
Valuation date	23 January-13	23 January-13	23 January-13
Vesting Date	23 January-13	27 August-13	27 August-14
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	81%	81%	81%
Risk-free interest rate (%)	3.29%	3.29%	3.29%
Expected life of option (years)	5	5	5
Option exercise price ($)	$0.30	$0.35	$0.40
Share price at grant date ($)	$0.08	$0.08	$0.08
Expiry date	23 Jan 2018	23 Jan 2018	23 Jan 2018
Performance conditions	Described above	Described above	Described above

The options are amortised over their vesting date, and are expensed accordingly.

	Tranche 1	Tranche 2	Tranche 3	Total
Number of options	1,000,000	500,000	500,000	2,000,000
Fair value per option	$0.034	$0.032	$0.030	-
Total value of the issue	$34,000	$16,000	$15,000	$65,000
Amortisation expense (based on 5 years)	-	$4,297	$9,423	$13,720

(iii) 15 million listed options

On 16 May 2014, the Company issued 15 million listed options to external consultants in lieu of cash payment for services provided to the Company. The options are exercisable at $0.02 each on or before 30 June 2015.

The fair value of the share options at grant date are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

Valuation date	18 June 2014
Dividend yield (%)	Nil
Expected volatility (%)	125%
Risk-free interest rate (%)	2.68%
Expected life of option (years)	1.1
Option exercise price ($)	$0.02
Share price at grant date ($)	$0.013
Expiry date	30 June 2015

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The options are amortised over their vesting date, and are expensed accordingly.

Notes to the Financial Statements

NOTE 19: SHARE BASED PAYMENTS (CONTINUED)

c) *Reconciliations of share based payment expense*

As at 30 June 2014	Number of VHL shares /unlisted options Number	Vesting Date	Value $	Share based payment expense at 30 June 2014 $
Opening balance:				
VHL shares issued	13,000,000		0.069	161,636
Movement during the year				
Amortisation expense				24,474
Total VHL shares (note 19a)	**13,000,000**			**186,110**
Opening balance:				
Unlisted options issued	6,000,000			-
Movement during the year				
Unlisted options issued @ $0.20 (*note 19bi*)	4,000,000	14/09/13	0.014	11,453
Unlisted options issued @ $0.35 *(Tranche 2) (note 19bii)*	500,000	27/08/13	0.032	4,297
Unlisted options issued @ $0.40 *(Tranche 3) (note 19bii)*	500,000	27/08/13	0.030	9,423
Listed options issued @ $0.02 *(note 19bii)*	15,000,000	16/05/14	0.0051	76,500
Total unlisted options	**20,000,000**			**101,673**
Total options and VHL shares	**33,000,000**			**287,783**

As at 30 June 2013	Number of VHL shares /unlisted options Number	Vesting Date	Value $	Share based payment expense at 30 June 2013 $
VHL shares issued	13,000,000		0.069	161,636
Total VHL shares (note 19a)	**13,000,000**			**161,636**
Unlisted options issued @ $0.20	4,000,000	14/09/13	0.014	9,947
Unlisted options issued @ 0.30 (tranche 1)	1,000,000	23/01/13	0.034	34,000
Unlisted options issued @ 0.35 (tranche 2)	500,000	27/08/13	0.032	11,703
Unlisted options issued @ $0.40 (tranche 3)	500,000	27/08/13	0.030	4,079
Total unlisted options	**6,000,000**			**59,729**
Total unlisted options and VHL shares	**19,000,000**			**221,365**

NOTE 20: SEGMENT REPORTING

The Company has interests in 7 prospective gold assets in the Republic of Senegal which acts as the sole reportable segment to the executive management of the group.

Notes to the Financial Statements

NOTE 21: CASH FLOW INFORMATION

	CONSOLIDATED GROUP	
	30-Jun-14	30-Jun-13
Reconciliation of Cash Flow from Operations with loss after Income Tax	$	$
(Loss) after income tax	(5,338,526)	(742,673)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation and amortisation	-	8,332
Impairment expense	4,834,962	-
Exploration, evaluation and development expenditure	190,518	(187,028)
Debts forgiven to disposal of subsidiaries	120,792	-
Share based payment expense	(90,220)	(49,783)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in trade and other receivables	8,026	12,431
Increase /(Decrease) in trade payables and accruals	(118,290)	147,643
Increase /(Decrease) in loans	(80,000)	275,000
Cash flow from operations	(472,738)	(536,078)

NOTE 22: EVENTS AFTER THE BALANCE SHEET DATE

Following the end of the financial year, the Company issued 3,500,000 options to key management personnel. The Company also issued 19,000,000 options to Directors on 17 September 2014 following approval from shareholders at the General Meeting on 8 September 2014.

Apart from this matter, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Notes to the Financial Statements

NOTE 23: RELATED PARTY TRANSACTIONS

a) Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of the transactions including amounts accrued but unpaid at the end of the year are as follows:

Entity	Relationship	Nature of transactions	Transactions Full Year 30-Jun-14 $	Transactions Full Year 30-Jun-13 $	Balances Full Year 30-Jun-14 $	Balances Full Year 30-Jun-13 $
Elgra Consultancy Pty Ltd	(i)	Reimbursement from Elgra for corporate administration costs	2,975	61,363	-	20,654
Verona Capital Pty Ltd	(ii)	Reimbursement to Verona for technical support and corporate administration costs and re-charges	(11,084)	213,408	163,975	231,782
Verona Capital Pty Ltd	(ii)	Working capital loan (refer note 13b)	-	80,000	-	80,000
Tamaska Oil & Gas Ltd	(iii)	Reimbursement from TMK for corporate administration costs	35	1,833	-	-
Citation Resources Ltd	(iv)	Reimbursement from CTR for corporate administration costs	1,834	7,991	1,449	334
Cradle Resources Ltd	(vi)	Reimbursement from CXX for corporate administration costs	(1,410)	-	(1,410)	-
Panda Hill Mining	(vii)	Reimbursement from PHM for corporate administration costs	(13,616)	-	(13,743)	-

(i) Elgra Consultancy Pty Ltd is a company associated with Mr Grant Davey.
(ii) Verona Capital Pty Ltd, a company controlled 30% by Grant Davey and 20% by Brett Mitchell.
(iii) Tamaska Oil & Gas Ltd (TMK) is a company associated with Mr Brett Mitchell who is currently a director of TMK.
(iv) Citation Resources Ltd (CTR) is a company associated with Mr Brett Mitchell who is currently a director of CTR.
(v) Cradle Resources Ltd (CXX) is a company associated with Mr Grant Davey.
(vi) Panda Hill Mining Pty Ltd (PHM) is a company associated with Mr Grant Davey.

b) Transactions with related subsidiaries

At the end of the year the follow loans were owed by wholly owned subsidiaries of the Company:

Entity	Relationship	Amount owed 30-Jun-14 $	Amount owed 30-Jun-13 $
Subsidiaries of Erin Resources Limited:			
Intramedics Pty Ltd	A wholly owned subsidiary	-	792
Erin Minerals Resources Ltd	A wholly owned subsidiary	3,160,306	2,553,472
Subsidiaries of Erin Minerals Resources Ltd:			
Erin Minerals Pty Ltd	A wholly owned subsidiary	15,044,027	14,436,566
Subsidiaries of Erin Minerals Pty Ltd:			
Erin Senegal S.A.U	A wholly owned subsidiary	314,470	230,573

Details of interest in wholly owned controlled entities are set out in note 11.

Notes to the Financial Statements

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

Loans between entities in the wholly owned group are denominated in AU dollars and CFA Franc, are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company.

c) Other related party transactions

30 June 2014
There were no other related party transactions during the year.

30 June 2013
There were no other related party transactions during the year.

NOTE 24: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of cash at bank, payables and receivables.

The group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result the group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Company's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks
The group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, as well as foreign currency risk.

Interest rate risk
At reporting date, the group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The risk monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

2014	Floating interest rate $	1 Year or less $	Over 1 to 5 years $	Non-interest bearing $	Remaining contractual maturities $	Weighted average interest rate %
Financial assets						
Cash and cash equivalents	578,826	578,826	-	16,262	595,088	1.19%
	578,826	578,826	-	16,262	595,088	
Financial liabilities						
Other payables and sundry accruals	-	-	-	234,294	234,294	
Loans payable	-	-	-	195,000	195,000	
	-	-	-	429,294	429,294	

Notes to the Financial Statements

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

2013	Floating interest rate $	1 Year or less $	Over 1 to 5 years $	Non-interest bearing $	Remaining contractual maturities $	Weighted average interest rate %
Financial assets						
Cash and cash equivalents	155,529	155,529	-	5,903	161,432	4.50%
	155,529	155,529	-	5,903	161,432	
Financial liabilities						
Other payables and sundry accruals	-	-	-	627,584	627,584	
Loans payable	-	-	-	131,405	131,405	
	-	-	-	758,989	758,989	

At 30 June 2014, if interest rates had changed by -/+100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $5,788 lower/higher (2013: $1,555)

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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. The group monitors forecast cash flows on regular basis to manage its liquidity risk.

Credit risk
Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to customers and deposits with banks. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Foreign currency risk
The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Senegal currency, CFA Franc (XOF) and United States Dollars (USD).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

NOTE 25: DIVIDENDS

No dividends have been paid or provided during the year.

Directors' Declaration

The Directors' of the Company declare that in their opinion:

1. The financial statements and notes, as set out in pages 22 to 55, are in accordance with the *Corporations Act 2001* and:

    a) comply with Accounting Standards and the Corporations Regulations 2001;
    b) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
    c) give a true and fair view of the Company's and consolidated group's financial position as at 30 June 2014 and their performance for the year ended on that date.

2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.

3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

4. In the Directors opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Brett Mitchell
Executive Director
Dated 24 September 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ERIN RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Erin Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Erin Resources Limited (the company) and 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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.

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au
PKF Mack & Co | ABN 74 254 453 660
4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia
PO Box 609 | West Perth | Western Australia 6872 | Australia

Opinion

In our opinion:

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

 (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014 and their 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss after tax of $5,337,815 (2013: $766,897) during the year ended 30 June 2014. This, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report of the company and consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Erin Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

24 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

Corporate Governance

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size. Recommendations which the Company does not comply with are highlighted in this report.

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
    - Organizational performance and the achievement of strategic goals and objectives
    - Compliance with the Company's code of conduct
    - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

Corporate Governance

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior executive's performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the Board should be Independent Directors.
- **Recommendation 2.2:** The chair should be an Independent Director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The Board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's Practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be Independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has one independent Director. The Board as a whole comprises a Executive Director and two Non-Executive Directors.

Composition

The Directors have been chosen for their particular expertise to provide the Company with a competent and well-rounded decision-making body and which will assist the Company and shareholders in meeting their objectives.

The term in office held by each Director in office at the date of this report is as follows and details of the professional skills and expertise of each of the Directors are set out in the Directors' Report.

Corporate Governance

Name	Position	Term in Office
Brett Mitchell	Executive Director	1 year 5 months
Nicholas Poll	Non-Executive Director	1 year 5 months
Nick Castleden	Non-Executive Director	4 months

The Directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education
The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of Directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information
Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Executive Director, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Executive Director's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other board members.

Nomination Committee
The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance
The performance of all Directors is reviewed by the Executive Director on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Executive Director's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed,
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 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 into account their legal obligations and the reasonable expectations of their stakeholders

Corporate Governance

  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 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 for the Board to assess annually both the objectives and progress in achieving them.
- **Recommendation 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.
- **Recommendation 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.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's Practice:

Ethical Standards
The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity Policy
The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity
As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members
The Company and its consolidated entities have two (2) female employees/executives:

- its company secretary; and
- its chief financial officer

which represent approximately 40% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Corporate Governance

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The Board should establish an audit committee.
- **Recommendation 4.2:** The audit committee 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 chair of the Board
    - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

4.2 The Company's Practice:

Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

Corporate Governance

The Board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and chief financial officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2014 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's Practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
(b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Executive Director and the Company Secretary**,** including:

(a) Media releases;
(b) Analyst briefings and presentations; and
(c) The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

Corporate Governance

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 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.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's Practice:

Shareholder Communication
It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company’s annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company’s strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

The Company’s auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company’s website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company’s full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 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.
- **Recommendation 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

Corporate Governance

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.

- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's Practice:

RISK MANAGEMENT

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the Risk Management System

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

Corporate Governance

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The Board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
  - consists of a majority of independent Directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3:** Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's Practice:

Remuneration Committee
The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration Policies
Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Executive Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and senior executive's emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 15 to 18 of the Financial Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.