



**PRIME MINERALS LIMITED
ABN 61 120 658 497
AND CONTROLLED ENTITIES**

ANNUAL REPORT

30 JUNE 2014

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DIRECTORS' REPORT

DIRECTORS

Michael Scivolo
Robert John Collins
Hersh Solomon Majteles

SECRETARY

Norman Grafton

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8 Parliament Place
West Perth WA 6005

PRINCIPAL OFFICE

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SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway
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AUDITORS

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Prime Minerals Limited shares (PIM) are listed on the Australian Securities Exchange.

AMERICAN DEPOSITORY RECEIPTS

Prime Minerals Limited's American Depositary Receipts (PMLDY) are traded over the counter in the United States of America through Bank of New York.

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Michael Scivolo	Non-executive Chairman
Robert John Collins	Non-executive Director
Hersh Solomon Majteles	Non-executive Director

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each Director and Company Secretary are as follows:

Michael Scivolo (BCom, FCPA) Chairman (Non-executive)

Mr. Scivolo is a certified practising accountant with 35 years experience in accounting and taxation. He is a former partner and consultant of Perth accounting firm Alessandrino Scivolo. He is currently a Director of Sabre Resources Ltd, South East Asia Resources Ltd, Golden Deeps Limited and Metals Australia Ltd (since 23 July 2012), and the Non-executive Chairman of Blaze International Limited and Power Resources Limited since 1 September 2012, prior to that he was a Non-executive Director of those two companies from 20 October 2009. He has no interest in any shares or options of the Company at the date of this Report.

Robert John Collins (CPA) Director (Non-executive)

Mr. Collins has served on a number of ASX listed industrial and mining company boards and owned a large West Perth accounting practice serving the corporate sector. He is currently a Non-executive director of Power Resources Limited and Blaze International Limited and was appointed on 20 October 2009. He has no interest in any shares or options of the Company at the date of this Report.

Hersh Solomon Majteles (LLB, FAICD) Director (Non-executive)

Mr. Majteles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy and biotech sectors for over 25 years. Mr. Majteles is also a Director of Power Resources Limited, Blaze International Limited, Chairman of Promesa Limited and Chairman of Metals Australia Ltd. He has no interest in any shares or options of the Company at the date of this Report.

COMPANY SECRETARY

Norman Grafton (FCIS FCSA)

Mr Grafton has extensive experience in both Australian and international commerce, having previously been based in Singapore, Indonesia, Papua New Guinea and Jamaica. Prior to returning to Australia he was Director of Finance and Company Secretary of the largest agro-industrial operation in Jamaica, on secondment from a major UK firm of corporate managers.

PRINCIPAL ACTIVITIES

The principal continuing activity during the year of entities within the Consolidated Entity was mineral exploration.

OPERATING AND FINANCIAL REVIEW

Review of Operations

LAKE MASON URANIUM PROJECT, WESTERN AUSTRALIA

Prime holds 100% of exploration licence (E 57/785) located central to the Lake Mason palaeo-drainage (Figure 1).

The Lake Mason area is known to host playa lake style, calcrete-hosted uranium mineralisation within the lake sediments and around the margins of the lake system. This style of mineralisation is similar to that at Cameco's Yeelirrie uranium deposit and Mega Uranium's Lake Maitland project. There is potential for additional mineralisation in a number of locations adjacent to Lake Mason, including the drainages and deltas that feed into the lake. The Lake Mason Uranium Project covers prospective peripheral dune systems and a delta on the southern side of the lake.

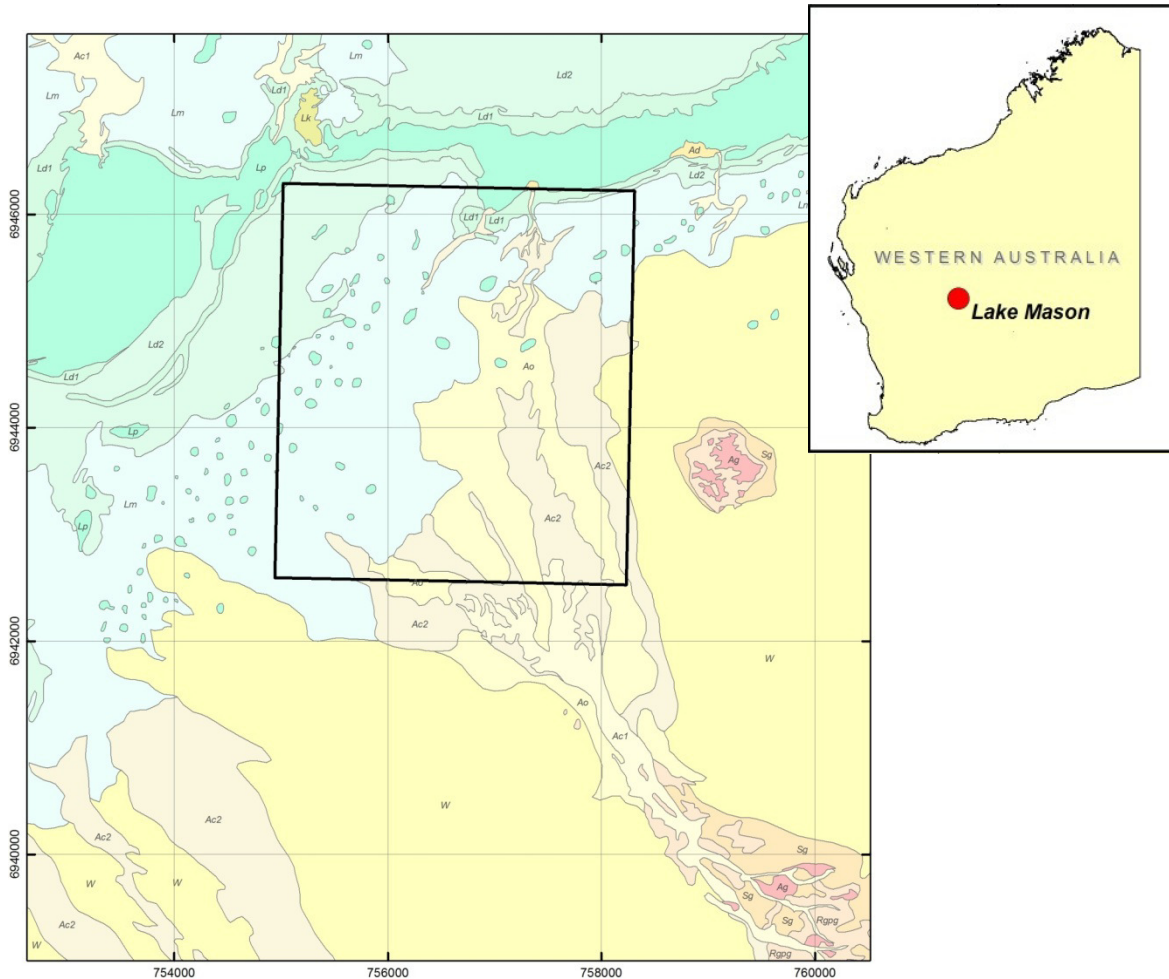


Figure 1 - High-resolution mapping showing geology of the Lake Mason project area.
Geology codes used: Ac1, Ac2, Ao & Ad – Alluvium; Ak – calcrete; Ag, Rgpg & Sg – granite and weathered granite products; Ld1, Ld2, Lm & Lp – Salt lake pan and dune systems, W – Sheetwash.

DIRECTORS' REPORT

Previously, a regolith sampling program was undertaken covering the entire licence area. A total of 195 samples were taken from depths up to 1 m beneath surface. In each case, calcrete/silcrete material was selected for sampling, with varying radiometric readings throughout the sample suite. Results of the program identified several low-grade uranium anomalies in the gypsiferous dunes in the northwest of the tenement, and in river channel alluvial deposits in the southeast.

Recent reassessment of a licence-wide sampling program suggests that there is little prospectivity for near-surface calcrete-hosted uranium mineralisation within the Lake Mason licence area. The possibility for deeper-seated mineralisation in dune systems adjacent to the lake cannot be discounted and would require drilling. However, based on current information, the likelihood of this style of uranium mineralisation is considered low and at this stage would be prohibitively expensive to fully assess.

CORPORATE – CHANGE OF FOCUS

On 20 May 2014, the Company announced that it had entered into a binding heads of agreement to merge with Cocoon Data Holdings Limited, an unlisted Australian public company which holds various intellectual property interests pertaining to data security software known as Covata.

Under the terms of the Agreement, Prime will merge with Cocoon either by:

- making an off-market takeover offer to acquire all of Cocoon's fully paid ordinary shares (**Cocoon Shares**);
- a scheme of arrangement; or
- a sale of Cocoon's business and assets to Prime.

The merger process will be more fully documented in a "Merger Implementation Agreement" to be executed between PIM and Cocoon.

TRANSACTION HIGHLIGHTS

- Exciting transformational growth opportunity secured for Prime at an attractive valuation.
- Covata's disruptive technology offers a game changing approach to internet and data security - a revolution in the approach to the security 'plumbing' of the internet.
- Significant strategic contract signed in Europe and advanced discussions with other strategic global partners in North America.
- Technology independently verified through certification from government accreditation bodies in North America and Australia.
- Product commercialisation achieved through both direct sales and global distribution partners, including system integrators.
- Appointment of a new board and management team with significant experience in the cyber-security industry.

TERMS OF AGREEMENT

In consideration for Cocoon undertaking the Merger, Prime has agreed to pay to the Cocoon shareholders an equivalent sum of \$57,221,673, which shall be satisfied through the issue of fully paid ordinary shares in the capital of Prime at a deemed issue price of \$0.20 per Prime Share. The consideration will be paid as follows:

DIRECTORS' REPORT

- \$50,000,000 worth of Prime Shares to be issued upon completion of the merger; and
- \$7,221,673 worth of Prime shares to be issued upon satisfaction of any one of the following milestones:
 - annualised revenue over three consecutive calendar months equivalent to at least \$20,000,000 on an annual basis;
 - execution of an agreement with a recognised multi-national original equipment manufacturer for the integration of Cocoon's products or technology; or
 - commenced or contracted proof of concept trials with a minimum of 20 enterprises/corporations who each have annualised revenues of at least \$200,000,000 and, of these, 10 of which have been converted into binding commercial contracts

Cocoon may, at any time prior to completion of the merger, effectuate further equity funding (on a pre-money valuation of \$57,221,673), and/or debt funding, from existing and new investors, to raise up to \$2,500,000 in additional funding.

The consideration (and hence the number of Prime shares) will be increased by the amount of any additional funding.

Prime has also agreed to provide to Cocoon a fully secured, interest free loan of \$1,500,000 for a term of 12 months (which will be convertible in certain circumstances), with the full terms and conditions to be set out in a formal loan agreement to be entered into contemporaneously with the MIA (Loan Agreement). In the event that the merger is not completed by 30 September 2014 but all of the conditions precedent have been satisfied (other than receipt of conditional approval for readmission to trading on the ASX, completion of the capital raising and, if the merger is to be implemented by a scheme of arrangement, the scheme becoming effective), Prime has agreed to increase the loan by \$500,000.

The merger is conditional upon satisfaction or waiver of the following conditions precedent by 30 September 2014:

- completion by Prime and Cocoon, to the absolute satisfaction of their respective boards of directors, of all necessary legal and technical due diligence investigations in respect of the other;
- execution of the MIA on or prior to 6 June 2014 (or such alternate date as Prime and Cocoon may agree in writing);
- Prime and Cocoon entering into the Loan Agreement;
- ASX granting conditional approval to reinstate the securities of Prime to trading on ASX (after Prime re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being satisfied to the reasonable satisfaction of Prime and Cocoon;
- Prime undertaking a capital raising and receiving valid applications for at least \$5,000,000 (less the amount of any additional funding);
- Prime undertaking a consolidation of its issued share capital on a basis to be agreed, which shall not be more than a 10 for 1 basis (if shares under the Capital Raising are offered at \$0.20 per share, otherwise the maximum consolidation ratio shall be adjusted accordingly);
- Prime holding a shareholder meeting to:
 - obtain all approvals that are required to give effect to the transactions contemplated by the Agreement, including ASX Listing Rule 11.1; and
 - change the name of Prime to such name as is nominated by Cocoon;

all convertible securities in Cocoon being converted into Cocoon Shares by completion of the merger, excluding any entitlements under Cocoon's employee option schemes;

- either:
 - if the merger proceeds by way of takeover bid, the holders of at least 90% of the Cocoon shares accepting the offer under the takeover bid and Prime being entitled to proceed to compulsory acquisition of Cocoon; or
 - if the merger proceeds by way of scheme of arrangement, the requisite approvals being obtained at a scheme meeting of Cocoon shareholders and the scheme becoming effective; and
- any other third party approvals, regulatory consents or conditions required to give effect to the transactions contemplated by the Agreement being obtained,

Prime will also issue 100,000,000 shares (on a pre-consolidation basis) to key consultants as consideration for those persons formulating the proposed merger, introducing the proposal to the parties and assisting with its implementation.

NEW BOARD & MANAGEMENT TEAM

Upon completion of the merger, the current Prime directors will resign from the Board and will be replaced by nominees of Cocoon. It is anticipated that Cocoon will initially nominate at least two Australian based persons and two US based persons to fill these positions.

ESCROW

The Prime shares issued to Cocoon shareholders holders will be subject to any applicable escrow restrictions in accordance with the ASX Listing Rules.

RE-COMPLIANCE WITH ASX LISTING RULES CHAPTERS 1 AND 2

Since the merger will result in a significant change to the nature and scale of Prime's activities, the merger will require Prime shareholders' approval under ASX Listing Rule 11.1.2 and will also require Prime to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

CONSOLIDATION

In order to re-comply with the ASX Listing Rules, Prime intends, subject to shareholder approval, to undertake the consolidation of its issued capital with a view to Prime shares being valued at a minimum of \$0.20 each post consolidation.

CAPITAL RAISING

To enable Prime to re-comply with the ASX Listing Rules and to support its growth strategy post-completion of the merger, Prime plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise at least \$5 million, less the amount of any additional funding granted.

Under the prospectus, Prime shares will be offered at an issue price of at least \$0.20 per share.

Prime intends to appoint one or more brokers to manage the capital raising.

SHAREHOLDER APPROVALS

A notice of meeting seeking shareholder approval for the resolutions required to effect the merger will be sent to Prime shareholders in due course. Prime is holding a meeting to facilitate shareholder approval on 23 September 2014.

DIRECTORS' REPORT

On the date of the meeting, Prime securities will be suspended and, subject to Prime shareholder approval being obtained, will remain suspended until Prime has re-complied with ASX Listing Rules and the merger has taken effect.

PRO-FORMA CAPITAL STRUCTURE

On the basis Prime completes the merger and associated transactions on the terms set out above, Prime's capital structure on a post-consolidation basis will be as follows (assuming a 1 for 10 consolidation, 100% acceptance of the takeover offer, \$5 million is raised under the capital raising at \$0.20 per Prime share and no other shares are issued by either Prime or Cocoon), excluding Cocoon staff options:

	Shares	Options
Current Issued Capital	337,444,946	Nil
Post Consolidation Issued Capital	33,744,495	Nil
Takeover Offer	250,000,000 ¹	Nil
Satisfaction of a Milestone	36,108,365	Nil
Capital Raising	25,000,000	Nil
Issue of Prime Shares to advisers	10,000,000	Nil
Total Post Merger & Capital Raising	354,852,860	Nil

1 This number may increase by up to 12,500,000 shares in the event the Additional Funding is completed.

Note: The above table shows Prime's pre and post-merger capital structure. As part of the merger process, the Company will most likely need to undertake the consolidation in order to comply with Chapters 1 and 2 of the ASX Listing Rules, which require a capital raising at \$0.20 per share. The above table is based on a share price of \$0.02 immediately prior to the issue of the requisite notice of meeting, and consequently a consolidation ratio of 1 share for every 10 held. However, if the share price is at a higher price prior to the issue of the notice of meeting, the reconstruction ratio may be reduced. As a result, the issue of Prime shares under the takeover offer, the capital raising and to advisers of Prime will be adjusted accordingly.

Schedule of Mining and Exploration Tenements

Country	State/Region	Project	Tenement ID	Area (km ²)	Grant date	Interest
Australia	WA	Lake Mason uranium	E 57/785	12.17	16/01/2009	100%

Competent Person's Declaration

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter, who is a consultant to Prime Minerals Limited and is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Dr Painter has sufficient experience that is relevant to the various styles of mineralisation and types of deposit under consideration, and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Dr Painter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Prime Minerals Limited's planned exploration programme and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Prime Minerals Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

DIRECTORS' REPORT

Operating Results

Consolidated loss after income tax for the financial year was \$766,451 (2013: \$488,000).

Financial Position

At 30 June 2014, the Company had cash reserves of \$2,462,627 (2013: \$3,084,063).

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 20 May 2014 the Consolidated Entity announced it had entered into a binding heads of agreement to merge with Cocoon Data Holdings Limited which holds various intellectual property interests pertaining to data security software known as Covata.

On 27 June 2014 the Consolidated Entity announced the entry into a formal bid implementation agreement under which Prime and Cocoon would complete the merger by way of Prime making a conditional off-market takeover offer to acquire all of Cocoon's fully paid ordinary shares. The Consolidated Entity also announced its intention to complete a 10 for 1 basis consolidation, conduct a capital raising under a full form prospectus to raise a minimum of \$2.5 million and up to \$15 million at a minimum listing price of \$0.20 and re-comply with chapters 1 and 2 of the ASX Listing rules.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or in the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

On 21 July 2014, the Consolidated Entity announced that Moelis & Company was appointed sole lead manager of the takeover.

On 25 August 2014, the Consolidated Entity sought for shareholder approval at a meeting to be held on 23 September 2014 for, a change to nature and scale of activities, consolidation of capital, creation of performance share class and other resolutions including appointment of new directors.

On 26 August 2014, the Consolidated Entity issued a bidders statement to the shareholders of Cocoon Data Holdings Limited offering 0.6547 Fully paid ordinary shares and 0.0953 Performance Shares in the Consolidated Entity (post consolidation) to acquire all shares in Cocoon Data Holdings Limited.

There are no other matters or circumstances that have arisen since 30 June 2014 that have or may significantly affect the operations, results, or state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Given the pending Merger with Cocoon Data Holdings Limited, and the new direction the Consolidated Entity will be taking, it will be decided by the incoming Directors as to whether the mining tenement will be retained or disposed of.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The numbers of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors	
	Held	Attended
R J Collins	5	2
M Scivolo	5	5
H S Majteles	5	5

REMUNERATION REPORT (AUDITED)

Currently the Company does not have any key management personnel other than the Directors.

Directors receive a fixed fee (plus statutory superannuation where appropriate) with Directors being remunerated for any professional service conducted for the Company. Directors did not receive any benefits in the form of share-based payments during the year under review and did not have any equity holdings at any time during the current or prior period.

There are no retirement schemes for any Directors or any loans or any other type of compensation.

Board policy on the remuneration for this exploration Company is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people, to accept the responsibilities of directorship. No Directors have an employment contract.

Being an exploration company, with no earnings, a relationship is yet to be established between an emolument policy and the Company's performance.

Remuneration Committee

During the year ended 30 June 2014, the Consolidated Entity did not have a separately established nomination or remuneration committee. Considering the size of the Consolidated Entity, the number of directors and the Consolidated Entity's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

Directors' Remuneration

The non-executive Directors are entitled to receive directors' fees of amounts as determined by the shareholders of the Company in general meeting. Pursuant to the Company's Constitution, the non-executive Directors of the Company are entitled to receive directors' fees in such amounts (as determined by the Directors) in aggregate not to exceed \$250,000, to be divided among non-executive Directors as the Directors may agree and in the absence of agreement then equally, until otherwise determined by shareholders in General Meeting. Non-executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by Directors on Company business. The remuneration of Directors for the year ended 30 June 2014 were as follows:

2014	Primary salary and fees \$	Share-based options \$	Superannuation Benefits \$	Total \$
R J Collins	25,000	-	-	25,000
M Scivolo	30,000	-	2,775	32,775
H S Majteles	25,000	-	2,312	27,312
Total	80,000	-	5,087	85,087

DIRECTORS' REPORT

2013	Primary salary and fees \$	Share-based options \$	Superannuation Benefits \$	Total \$
R J Collins	25,833	-	-	25,833
M Scivolo	29,094	-	2,625	31,719
H S Majteles	25,000	-	2,250	27,250
Total	79,927	-	4,875	84,802

End of remuneration report

DIRECTORS AND AUDITORS INDEMNIFICATION

The Company has no insurance cover indemnifying officers or auditor against liabilities arising from their conduct whilst acting for the Company.

SHARE OPTIONS

At the date of this report there were no unissued ordinary shares for which options were outstanding.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Prime Minerals Limited support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

AUDITOR

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

The following non-audit services were provided by our auditors, HLB Mann Judd during the year ended 30 June 2014. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Taxation compliance services \$4,700

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2014 has been received and is included within the annual report.

Signed in accordance with a resolution of Directors.



Michael Scivolo
Non-Executive Chairman
Perth, 18 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Prime Minerals Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Prime Minerals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The following principles contain the recommendations set out in the ASX Corporate Governance Council's "Principles of good corporate governance and recommendations"

1 Principle 1 – Lay solid foundations for management and oversight

Responsibilities of the Board

1.1 The Board is responsible for the following matters:

- 1.1.1 ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- 1.1.2 development of corporate strategy, implementation of business plans and performance objectives;
- 1.1.3 reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control system and legal and regulatory compliance;
- 1.1.4 the appointment of the Company's Corporate Manager, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- 1.1.5 monitoring senior executives' performance and implementation of strategy;
- 1.1.6 determining appropriate remuneration policies;
- 1.1.7 allocating resources and ensuring appropriate resources are available to management;
- 1.1.8 approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- 1.1.9 approving and monitoring financial and other reporting.

Diversity

- 1.2 The Company recognises and respects the value of diversity at all levels of the organisation.
- 1.3 Currently, however, due to the size and scale of the Company's activities, all managerial and geological services are provided by the Corporate Manager and the Company has no direct employees.
- 1.4 When the level of activity permits, the Directors will ensure that women are fairly considered and the Company's aim will be to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising that skills are not gender specific.
- 1.5 As at the date of this report, the Company has no women appointed to the Board, to senior management, or to the organisation as a whole.

Chairman

- 1.6 The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's business. The Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between the Board and management of the Company. The Chairman is responsible for briefing directors on issues arising at Board meetings and is ultimately responsible for communications with shareholders and arranging Board performance evaluation.

Corporate Manager

- 1.7 The Corporate Manager is responsible for running the affairs of the Company under authority delegated from the Board. In carrying out its responsibilities the Corporate Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Company Secretary

- 1.8 The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material. All directors are to have access to the Company Secretary.

Performance Evaluation

- 1.9 The Chairman and/or the Corporate Manager are responsible for reviewing the performance of each executive at least once every calendar year with reference to the terms of their employment contract.

2 Principle 2 - Structure the Board to add value

Composition of the Board

- 2.1 The Company will ensure that the Board will be of a size and composition that is conducive to making appropriate decisions and be large enough to incorporate a variety of perspectives and skills, and to represent the best interests of the Company as a whole rather than of individual shareholders or interest groups. It will not, however, be so large that effective decision-making is hindered.

Independent Directors

- 2.2 The Company will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independence status changes this should be disclosed and explained to the market in a timely fashion.
- 2.3 The Company will endeavour to ensure that it has a majority of independent directors at all times, subject to the right of shareholders in general meeting to elect and remove directors.

Chairman

- 2.4 The Chairman should be a non-executive director who is independent. The Chairman should not be the Chief Executive Officer of the Company. The Chairman's other positions should not be such that they are likely to hinder the effective performance of his role of Chairman of the Company.

Independent decision- making

- 2.5 All directors - whether independent or not - should bring an independent judgment to bear on Board decisions. Non-executive directors are encouraged to confer regularly without management present. Their discussions are to be facilitated by the Chairman, if he is independent, or, if he is not independent, the deputy Chairman. Non-executive directors should inform the Chairman before accepting any new appointments as directors.

Independent advice

- 2.6 To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

Procedure for selection of new directors

- 2.7 The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors will be involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experienced.
- 2.8 In support of their candidature for directorship or re-election, non-executive directors should provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic.

Induction and education

- 2.9 The Board will implement an induction programme to enable new directors to gain an understanding of:
- 2.9.1 the Company's financial, strategic, operational and risk management position;
 - 2.9.2 the rights, duties and responsibilities of the directors;
 - 2.9.3 the roles and responsibilities of senior executives; and
 - 2.9.4 the role of any Board committees in operation.
- 2.10 Directors will have reasonable access to continuing education to update and enhance their skills and knowledge, including education concerning key developments in the Company and in the industries in which the Company's business is involved.

Access to information

- 2.11 The Board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities.
- 2.12 Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

3 Principle 3: Promote ethical and responsible decision-making

Code of conduct

- 3.1 The Board has adopted the Code of Conduct set out at Appendix A to promote ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.
- 3.2 The Board is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company.
- 3.3 The Board is responsible for making advisers, consultants and contractors aware of the Company's expectations set out in the Code of Conduct.

Policy for trading in Company securities

- 3.4 The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees set out in Appendix B.
- 3.5 The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

4 Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management

4.1 The Company believes it is not of a size to justify having a separate Audit and Risk Management Committee. Ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. Given the small size of the Board, the directors believe an Audit Committee structure to be inefficient. All directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate Board processes must be implemented to perform the following audit and risk management functions:

- 4.1.1 external audit function:
 - (a) review the overall conduct of the external audit process including the independence of all parties to the process;
 - (b) review the performance of the external auditors;
 - (c) consider the reappointment and proposed fees of the external auditor; and
 - (d) where appropriate seek tenders for the audit and where a change of external auditor is recommended arrange submission to shareholders for shareholder approval;
- 4.1.2 reviewing the quality and accuracy of published financial reports;
- 4.1.3 reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures;
- 4.1.4 reviewing and imposing variations to the risk management and internal control policies designed and implemented by Company management; and
- 4.1.5 any other matters relevant to audit and risk management processes.

5 Principle 5: Make timely and balanced disclosure

Disclosure Policy

- 5.1 The Board has adopted a Disclosure Policy for ensuring timely and accurate disclosure of price-sensitive information to shareholders through the ASX set out in Appendix C.
- 5.2 The Disclosure Policy ensures that:
 - 5.2.1 all investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance; and
 - 5.2.2 Company announcements are subjected to a vetting and authorisation process designed to ensure they:
 - (a) are released in a timely manner;
 - (b) are factual;
 - (c) do not omit material information; and
 - (d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

6 Principle 6: Respect the rights of shareholders

Communication with Shareholders

- 6.1 The Board is committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by telephone, mail or email.

6.2 The Company's website will also be used to provide additional relevant information to security holders. The Board considers the following to be appropriate features for the Company's website:

- 6.2.1 placing the full text of notices of meeting and explanatory material on the website;
- 6.2.2 providing information about the last three years' press releases or announcements plus at least three years of financial data on the website; and
- 6.2.3 providing information updates to security holders on request by email.

General Meetings

6.3 The Company is committed to improving shareholder participation in general meetings. In order to achieve that objective, the Company has adopted guidelines of the ASX Corporate Governance Council for improving shareholder participation through the design and content of notices and through the conduct of the meeting itself.

7 Principle 7: Recognise and manage risk

Creation and implementation of Company risk management policies

- 7.1 It is the responsibility of the Corporate Manager to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Board.
- 7.2 The Corporate Manager must report to the Board on an annual basis regarding the design, implementation and progress of the risk management policies and internal control systems.

Audit and Risk Management

- 7.3 As referenced with respect to Principle 4, the Board has not established an Audit and Risk Management Committee for the reasons given above.

Review by the Board

- 7.4 The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.
- 7.5 When reviewing risk management policies and internal control system the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.

Corporate Manager

- 7.6 The Corporate Manager is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Verification of financial reports

- 7.7 The Corporate Manager and Chief Financial Officer are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:
 - 7.7.1 that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
 - 7.7.2 that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

8 Principle 8: Remunerate fairly and responsibly

Director and senior executive remuneration policies

- 8.1 The Company's remuneration policy is structured for the purpose of:
 - 8.1.1 motivating senior executives to pursue the long-term growth and success of the Company; and
 - 8.1.2 demonstrating a clear relationship between senior executives' performance and remuneration.
- 8.2 The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:
 - 8.2.1 attracting and retaining senior executives and directors; and
 - 8.2.2 not paying excessive remuneration.
- 8.3 Executive directors' remuneration should be structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 8.4 Executive directors' and senior executives' remuneration packages should involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 8.5 Non-executive directors' remuneration should be formulated with regard to the following guidelines:
 - 8.5.1 non-executive directors should normally be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;
 - 8.5.2 non-executive directors should not be provided with retirement benefits other than superannuation.
- 8.6 No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

Remuneration Committee

- 8.7 The Company believes it is not of a size to justify having a Remuneration Committee and that it has Board processes in place which raise the issues which would otherwise be considered by a committee.

Appendix A – Code of Conduct

Introduction

- 1 This Code of Conduct sets out the standards with which the Board, management and employees of the Company are encouraged to comply when dealing with each other, the Company's shareholders and the broader community.

Responsibility to shareholders

- 2 The Company aims:
- 2.1 to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and
 - 2.2 to comply, with openness and integrity, the systems of control and accountability which the Company has in place as part of its corporate governance.

Responsibility to clients, employees, suppliers, creditors, customers and consumers

- 3 The Company will comply with all legislative and common law requirements which affect its business.

Employment practices

- 4 The Company will employ the best available staff with the skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.

Responsibility to the community

- 5 The Company recognises, considers and respects environmental, native title and cultural heritage issues which may arise in relation to the Company's activities and will comply with all applicable legal requirements.

Responsibility to the individual

- 6 The Company recognises and respects the rights of individuals and will comply with applicable laws regarding privacy and confidential information.

Obligations relative to fair trading and dealing

- 7 The Company will deal with others in a way that is fair and will not engage in deceptive practices.

Business courtesies, bribes, facilitation payments, inducements and commissions

- 8 Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.

Conflicts of interest

- 9 The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Corporate Manager in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

Compliance with the Code of Conduct

- 10 Any breach of compliance with this Code of Conduct is to be reported directly to the Chairman.

Periodic review of Code

- 11 The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairman.

Appendix B – Policy for trading in Company securities

Introduction

- 1 The Company recognises and enforces legal and ethical restrictions on trading in its securities by relevant persons within and external to the Company. The terms of this securities dealing policy apply to the Company’s directors, Corporate Manager, senior executives, employees and consultants (“Relevant Persons”).

Communication

- 2 This policy will be communicated to all Relevant Persons and will be placed on the Company website.

Trading restrictions

- 3 Trading by Relevant Persons in the Company’s securities is subject to the following limitations:
- 3.1 No trading in Company securities shall take place during the two weeks preceding release of each quarterly report, half-yearly financial report, and annual financial report of the Company.
- 3.2 No trading in the Company’s securities shall take place, directly or indirectly, where it is known, or ought reasonably to have been known by the person intending to trade, that information exists which has not been released to the ASX and where that information is of a type that could reasonably be expected to encourage buying or selling were that information known by others.
- 3.3 No trading shall take place in Company securities unless prior notice is given to the Chairman [and approval is obtained from the Chairman].

Hardship

- 4 During a period specified in paragraph 3.1, Relevant Persons may, after obtaining the Chairman’s consent, trade the Company’s securities to the extent reasonably necessary to avoid or ameliorate documented hardship and suffering or as required by other extenuating circumstances.

Directors’ trading and disclosures

- 5 Within twenty four hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company’s securities, full details of the director’s notifiable interests in the Company’s securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.
- 6 All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company’s securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

Appendix C - Disclosure Policy

Disclosure requirements

- 1 The Company recognises its obligations pursuant to the continuous disclosure rules of the ASX Listing Rules and the Corporations Act to keep the market fully informed of

information which may have a material effect on the price or value of the Company's securities.

- 2 Subject to certain exceptions (in ASX Listing Rule 3.1A), the Company is required to immediately release to the market information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Responsibilities of directors officers and employees

- 3 The Board as a whole is primarily responsible for ensuring that the Company complies with its disclosure obligations and for deciding what information will be disclosed. Subject to delegation, the Board is also responsible for authorising all ASX announcements and responses of the Company to ASX queries.
- 4 Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Corporate Manager, Chairman or Company Secretary as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.

Authorised Disclosure Officer

- 5 The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:
- 5.1 the Company Secretary or
- 5.2 in the absence of the Company Secretary, the Corporate Manager is authorised to act in that capacity by the Board.

Responsibilities of Authorised Disclosure Officer

- 6 Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:
- 6.1 monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
- 6.2 ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
- 6.3 requesting a trading halt in order to prevent or correct a false market;
- 6.4 providing education on these disclosure policies to the Company's directors, officers and employees; and
- 6.5 ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
- 6.5.1 are made in a timely manner;
- 6.5.2 are factual;
- 6.5.3 do not omit material information;
- 6.5.4 are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
- 7 An Authorised Disclosure Officer, who is responsible for providing contact details and other information to ASX to ensure such availability, must be available to communicate with the ASX at all reasonable times.

Measures to avoid a false market

- 8 In the event that ASX requests information from the Company in order to correct or prevent a false market in the Company's securities, the Company will comply with that request. The extent of information to be provided by the Company will depend on the circumstances of the ASX request.
- 9 If the Company is unable to give sufficient information to the ASX to correct or prevent a false market, the Company will request a trading halt.
- 10 If the full Board is available to consider the decision of whether to call a trading halt, only they may authorise it, but otherwise, the Authorised Disclosure Officer may do so.

ASX announcements

- 11 Company announcements of price sensitive information are subjected to the following vetting and authorisation process to ensure their clarity, timely release, factual accuracy and inclusion of all material information:
 - 11.1 The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
 - 11.2 Proposed announcements must be approved by the Corporate Manager or in his absence, urgent announcements may be approved by any other person expressly authorised by the Board.
 - 11.3 Announcements must first be released to the ASX Announcements Platform before being disclosed to any other private or public party (such as the media). After release of the announcement, it must be displayed on the Company's website, following which the Company can then release such information to media and other information outlets.
 - 11.4 Wherever practical, all announcements must be provided to the directors, Corporate Manager and Company Secretary prior to release to the market for approval and comment.

Confidentiality and unauthorised disclosure

- 12 The Company must safeguard the confidentiality of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. If such information is inadvertently disclosed, the Authorised Disclosure Officer must be informed of the same and must refer it to the Chairman and Corporate Manager as soon as possible.

External communications and media relations

- 13 The Chairman, Corporate Manager and Company Secretary are authorised to communicate on behalf of the Company with the media, government and regulatory authorities, stock brokers, analysts and other interested parties or the public at large. No other person may do so unless specifically authorised by the Chairman or the Corporate Manager.
- 14 All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairman and the Corporate Manager.

Breach of Disclosure Policy

- 15 Serious breaches of the Company's Disclosure Policy may be treated with disciplinary action, including dismissal, at the discretion of the Board. Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach.

AUDITOR'S INDEPENDENCE DECLARATION

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

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia
18 September 2014**



**M R W Ohm
Partner, HLB Mann Judd**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated	
		2014 \$	2013 \$
Revenue	5a	100,162	136,125
Accounting and audit fees		(43,215)	(34,261)
Administration expenses		(219,218)	(227,316)
ASX fees		(13,049)	(13,402)
Consulting fees		-	(3,135)
Exploration and evaluation expenditure written off		(19,917)	(2,540)
Depreciation and amortisation	11	-	(854)
Directors' fees and benefits expense		(85,087)	(84,802)
Legal fees		(157,930)	(2,634)
Management fees		(265,226)	(224,982)
Share registry fees		(3,670)	(6,124)
Other expenses	5b	(59,301)	(24,075)
Loss before income tax benefit		(766,451)	(488,000)
Income tax benefit	6	-	-
Net loss for the year		(766,451)	(488,000)
<i>Reclassification adjustment:</i>			
Impairment of available for sale financial assets		42,360	-
Total other comprehensive loss		(724,091)	(488,000)
Total comprehensive loss for the year		(724,091)	(488,000)
Basic earnings/(loss) per share (cents)	7	(0.23)	(0.14)

Diluted loss per share has not been disclosed as the entity does not have on issue any options.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated	
		2014	2013
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	2,462,627	3,084,063
Trade and other receivables	9	26,891	1,728
Total Current Assets		2,489,518	3,085,791
Non-Current Assets			
Other financial assets	10	10,015	13,015
Exploration and evaluation assets	12	36,454	28,336
Total Non-Current Assets		46,469	41,351
Total Assets		2,535,987	3,127,142
LIABILITIES			
Current Liabilities			
Trade and other payables	13	204,292	71,356
Total Current Liabilities		204,292	71,356
Total Liabilities		204,292	71,356
Net Assets		2,331,695	3,055,786
EQUITY			
Issued capital	14(a)	5,759,863	5,759,863
Reserves	15	-	862,992
Accumulated losses		(3,428,168)	(3,567,069)
Total Equity		2,331,695	3,055,786

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total \$
Balance at 30 June 2012	5,759,863	(3,079,069)	862,992	3,543,786
Total comprehensive loss for the year	-	(488,000)	-	(488,000)
Balance at 30 June 2013	5,759,863	(3,567,069)	862,992	3,055,786
Transfer of options	-	905,352	(905,352)	-
Total comprehensive loss for the year	-	(766,451)	42,360	(724,091)
Balance at 30 June 2014	5,759,863	(3,428,168)	-	2,331,695

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014	2013
		\$	\$
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(674,326)	(583,599)
Interest received		80,925	135,623
Interest paid		-	(270)
		<hr/>	<hr/>
Net cash (used in) operating activities	8(a)	(593,401)	(448,246)
Cash flows from investing activities			
Exploration & evaluation expenditure		(28,035)	(5,766)
		<hr/>	<hr/>
Net cash (used in) investing activities		(28,035)	(5,766)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Capital raising costs		-	-
		<hr/>	<hr/>
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(621,436)	(454,012)
Cash and cash equivalents at beginning of the financial year		3,084,063	3,538,075
		<hr/>	<hr/>
Cash and cash equivalents at year end	8	2,462,627	3,084,063
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

1. Corporate information

Prime Minerals Limited (“the Company”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis. The Company is a listed public company, incorporated in Australia and operating in Australia. The financial report is presented in Australian dollars.

The accounting policies detailed below have been consistently applied to all years presented unless otherwise stated. The financial statements are for the Group of Prime Minerals Limited and its subsidiaries (“the Group” or “Consolidated Entity”).

(b) Adoption of new and revised Standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Consolidated Entity’s operations and effective for the current annual reporting period.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of these reviews the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Consolidated Entity’s accounting policies.

(c) Statement of compliance

The financial report was authorised by the Board of Directors for issue on 18 September 2014.

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

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Prime Minerals Limited (“the Company” or “Parent Entity”) as at 30 June 2014 and the results of all subsidiaries for the year then ended. Prime Minerals Limited and its subsidiaries are referred to in this financial report as the Group or the Consolidated Entity.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

2. Statement of Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There were no critical accounting estimates and judgements that may materially affect the reported financial performance and position of the Group.

(f) Foreign currency translation

Both the functional and presentation currency of the Parent and the Consolidated Entity is Australian dollars (\$AUD).

All differences arising from the movement in exchange rates of transactions are taken to the Statement of Comprehensive Income. The Consolidated Entity does not have any assets or liabilities denominated in a foreign currency.

(g) Revenue recognition

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

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(h) Employee benefits expenditure

Employee benefits such as salary and wages are measured at the rate at which the Group expects to settle the liability; and recognised during the period over which the employee services are being rendered.

2. Statement of Significant Accounting Policies (continued)

(i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Receivables are recognised and carried at original cost less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
Plant and equipment - over 5 to 10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(l) Exploration and evaluation assets

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

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

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

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

2. Statement of Significant Accounting Policies (continued)

(l) Exploration and evaluation assets (continued)

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

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

(m) Impairment of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(n) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received and are subsequently measured at amortised cost.

(o) Provisions

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

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

2. Statement of Significant Accounting Policies (continued)

(o) Provisions (Continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

(p) Leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(q) Financial instruments

Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Consolidated Entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition

2. Statement of Significant Accounting Policies (continued)

(q) Financial instruments (continued)

available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Consolidated Entity has transferred its rights to receive cash flows from the asset and either:
 - a) has transferred substantially all the risks and rewards of the asset, or
 - b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Consolidated Entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Consolidated Entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Consolidated Entity's continuing involvement is the amount of the transferred asset that the Consolidated Entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Consolidated Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

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

Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Consolidated Entity of financial assets is impaired.

2. Statement of Significant Accounting Policies (continued)

(q) Financial instruments (continued)

(i) Financial assets carried at amortised cost

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

The Consolidated Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(r) Income taxes

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

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

2. Statement of Significant Accounting Policies (continued)

(r) Income taxes (continued)

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

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

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

- except where the deferred income tax asset relating to the deductible temporary differences 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in 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 and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(s) Other taxes

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

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

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

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

2. Statement of Significant Accounting Policies (continued)

(s) Other taxes (continued)

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

(t) Segment reporting

Segment results, assets, and liabilities comprise of amounts directly attributable to the segment, and those which could be reasonably allocated to those segments.

The performance and the position of each segment have been assessed applying the same accounting policies as applicable to the whole entity.

(u) Issued capital

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

(v) Share based payments

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

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black and Scholes model.

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

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

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

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

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

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

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

2. *Statement of Significant Accounting Policies (continued)*

(w) *Earnings per share*

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

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

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

3. *Parent entity financial information*

The financial information for the parent entity, Prime Minerals Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the Parent Entity's financial statements.

4. *Segment reporting*

The Consolidated Entity has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are reviewed by the chief operating decision maker (being the Board of Prime Minerals Limited) in order to allocate resources to the segment and assess its performance. The Board of Prime Minerals Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the Consolidated Entity are determined upon analysis of these internal reports. During the years ended 30 June 2013 and 30 June 2014, the Consolidated Entity operated predominantly in one business and geographical segment being the resources sector in Australia. Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	Year ended 30 June	
	2014	2013
	\$	\$
5. Revenue and expenditure		
(a) Revenue		
Interest received – other corporations	98,162	135,623
Other	2,000	502
	100,162	136,125
(b) Other expenses		
ASIC fees	1,349	1,807
Bank charges	162	168
Computer costs	882	-
Entertainment	1,793	2,804
Insurance	-	270
Printing and stationery	914	980
Subscriptions	-	1,069
Other	54,201	16,977
	59,301	24,075
6. Income tax		
(a) Income tax expense		
The income tax expense for the year differs from the prima facie tax as follows:		
Profit/(loss) for year	(766,451)	(488,000)
Prima facie income tax benefit @ 30%	(229,935)	(146,400)
Tax effect of non-deductible items	15,319	5,064
Non-assessable income	(600)	(81)
Other deferred tax assets and tax liabilities not recognised	7,722	(22,544)
Unused tax losses not recognised as deferred tax assets	207,494	163,962
Total income tax expense	-	-
(b) Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account:		
Deferred tax assets:		
Losses available for offset against future taxable income	1,784,599	1,577,105
Other temporary timing differences	102,316	74,792
	1,886,915	1,651,897
Exploration expenditure capitalised	10,936	8,501
Other temporary timing differences	5,171	91
	16,107	8,592
(c) Income tax benefit not recognised directly in equity during the year:		
Share issue costs	-	-
	-	-

Tax consolidation

On 21 December 2006 Prime Minerals Limited and its 100% owned Australian resident subsidiaries at that time formed a tax consolidated group. Wholly owned subsidiaries purchased after that date also form part of the tax consolidated group. The entities in the tax consolidated group have not entered into a tax sharing/funding agreement.

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	2013
	\$	\$

7. Earnings/(loss) per share

Basic earnings/(loss) per share (cents)	(0.23)	(0.14)
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The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Net loss for year	(766,451)	(488,000)
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	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	337,444,946	337,444,946

Diluted earnings per share has not been calculated as there are no dilutive potential ordinary shares on issue.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

8. Cash and cash equivalents

Cash at bank	2,462,627	3,084,063
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

(a) Reconciliation of loss for the year to net cash flows used in operating activities:

Loss for the year	(766,451)	(488,000)
Non cash items		
Depreciation	-	854
Exploration expenditure written off	19,917	2,540
Impairment of investment	45,360	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(28,175)	49,670
Increase/(decrease) in payables	135,948	(13,310)
Net cash flows (used in) operating activities	(593,401)	(448,246)

9. Trade and other receivables

Current

Accrued interest	17,237	-
GST receivable	9,654	-
Prepayments	-	306
Other	-	1,422
	26,891	1,728

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	2013
	\$	\$
10. Other financial assets		
Available for sale investments carried at fair value ⁽ⁱ⁾ :		
Listed shares – at fair value	10,015	13,015
	10,015	13,015

⁽ⁱ⁾ Available for sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

11. Plant and equipment

Plant and equipment – at cost	-	17,554
Accumulated depreciation	-	(17,554)
Total written down amount	-	-

Reconciliation

At 1 July, net of accumulated depreciation	-	854
Depreciation charge for year	-	(854)
At 30 June, net of accumulated depreciation	-	-

12. Exploration and evaluation assets

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase

Balance at beginning of year	28,336	25,110
Expenditure incurred during year	28,035	5,766
Expenditure written off during year	(19,917)	(2,540)
Balance at end of year	36,454	28,336

The ultimate recoupment of the exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

13. Trade and other payables

Current

Trade payables and accruals		
Other corporations	204,292	71,356
	204,292	71,356

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

14. Issued capital

(a) Issued and paid up capital	Consolidated	
	2014 \$	2013 \$
Ordinary shares fully paid	5,759,863	5,759,863
Balance at 30 June 2012	337,444,946	5,759,863
Movements during financial year ended 30 June 2013	-	-
Balance at 30 June 2013	337,444,946	5,759,863
Movements during financial year ended 30 June 2014	-	-
Balance at 30 June 2014	337,444,946	5,759,863

(b) Share options

At the end of the year there were no options over unissued ordinary shares (2013: nil).

(c) Terms and conditions of contributed equity

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

(d) Capital management policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company assesses the adequacy of its capital requirements and the cost of capital as a part of its broader strategic plan. There were no changes in the Consolidated Entity's approach to capital management during the year.

The entity is not subject to externally imposed capital requirements.

As is similar with many other junior exploration entities, the operations are generally funded through the issue of equity instruments, such as shares and options.

15. Reserves

Consolidated	Share based payment reserve \$	Option premium reserve \$	Asset revaluation reserve \$	Total \$
Balance at 1 July 2012	56,452	848,900	(42,360)	862,992
Revaluation of investments	-	-	-	-
Balance at 30 June 2013	56,452	848,900	(42,360)	862,992
Reclassification adjustment	(56,452)	(848,900)	42,360	-
Balance at 30 June 2014	-	-	-	-

The share-based payments reserve is used to recognise the fair value of options issued as part of remuneration of directors, employees and consultants.

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

15. Reserves (Continued)

The option premium reserve is used to accumulate proceeds received from the issue of options and the value of options issued as consideration for the acquisition of non-current assets.

The asset revaluation reserve is used to record changes in the fair value of investments in listed shares.

16. Share based payments

There were no share-based payment arrangements during the year ended 30 June 2014 (2013: Nil).

17. Commitments and contingencies

The Company has an agreement with a management service company for the provision of services at \$235,000 pa plus CPI. Charges are at commercial terms in accordance with the agreement entered into on 17 November 2009 for a 5 year term.

	Consolidated 2014 \$	Consolidated 2013 \$
0-1 years	97,917	235,000
1-5 years	-	97,917
5+ years	-	-
	<hr/>	<hr/>
	97,917	332,917

Exploration commitments

The consolidated entity has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements.

These commitments have not been provided for in the financial statements.

Contingent liabilities

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

18. Related party disclosures

(a) Parent entity

The ultimate parent entity within the Consolidated Entity is Prime Minerals Limited.

(b) Subsidiaries

Details of subsidiaries are set out in Note 20.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

(d) Other transactions

There were no other related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

	Company	
	2014	2013
	\$	\$
19. Parent entity disclosures		
(a) Financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	2,462,627	3,084,063
Trade and other receivables	26,891	1,728
Total Current Assets	2,489,518	3,085,791
Non-Current Assets		
Investments	10,015	13,015
Plant and equipment	-	-
Exploration and evaluation assets	2,501	4,672
Total Non-Current Assets	12,516	17,687
Total Assets	2,502,034	3,103,477
LIABILITIES		
Current Liabilities		
Trade and other payables	204,292	71,355
Total Current Liabilities	204,292	71,355
Total Liabilities	204,292	71,355
Net Assets	2,297,742	3,032,123
EQUITY		
Issued capital	5,954,956	5,954,956
Reserves	-	862,992
Accumulated losses	(3,657,214)	(3,785,825)
Total Equity	2,297,742	3,032,123
(b) Financial performance		
Loss for the period	(764,473)	(459,874)
Other comprehensive loss	-	-
Total comprehensive loss for the year	(764,473)	(459,874)

NOTES TO THE FINANCIAL STATEMENTS Continued
FOR THE YEAR ENDED 30 JUNE 2014

20. Shares in controlled entities

	Country of incorporation	Ownership interest	
		2014	2013
Fineloop Holdings Pty Ltd	Australia	100%	100%
Lake Minerals Pty Ltd	Australia	-	100%
Megaworld Pty Ltd	Australia	-	100%
Prime Uranium Pty Ltd	Australia	-	100%

On 1 September 2008 the Company sold its wholly owned subsidiary Australian Vanadium Corporation Pty Ltd (Formerly Prime Iron Ore Pty Ltd) applicant for exploration licences E57/742 and E57/743 to Reed Resources Limited (ASX:RDR).

Terms of the sale included a 2% net smelter royalty on production from within the relevant tenement area.

	Consolidated 2014 \$	Consolidated 2013 \$
21. Auditors' remuneration		
Amounts, received or due and receivable by auditors for:		
- an audit or review services	25,000	23,000
- other services	4,700	4,250
	29,700	27,250

22. Director and executive disclosures

(a) Details of Key Management Personnel

Directors	Position
Michael Scivolo	Non-executive Chairman
Robert Collins	Non-executive Director
Hersh Solomon Majteles	Non-executive Director

(b) Remuneration policy

The remuneration policy of Prime Minerals Limited as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

(c) Remuneration of Directors

	Consolidated 2014 \$	Consolidated 2013 \$
Short-term employee benefits	85,087	84,802

(d) Other transactions with Directors

There were no other transactions during the year or outstanding balances at 30 June 2014 in relation to Directors (2013: Nil).

23. Financial instruments

As at the reporting date, the financial instruments of the consolidated entity comprise of cash and cash equivalents; trade and other receivables; and trade and other payables.

23. Financial instruments (Continued)

(a) Fair value of financial instruments

The fair values and carrying amounts of various financial instruments recognised at reporting date are noted below:

Consolidated	Note	2014		2013	
		Carrying amount	Fair values	Carrying amount	Fair values
Cash and cash equivalents	8	2,462,627	2,462,627	3,084,063	3,084,063
Trade and other receivables	9	29,903	29,903	1,728	1,728
Available-for-sale financial assets	10	10,015	10,015	13,015	13,015
Trade and other payables	13	(103,723)	(103,723)	(71,356)	(71,356)
		<u>2,398,822</u>	<u>2,398,822</u>	<u>3,027,450</u>	<u>3,027,450</u>

The carrying amounts of the financial assets are reasonable approximations of their fair values, on account of their short maturity cycle.

(b) Risk management strategies

The entity is exposed to various risks arising from its activities. The nature and extent of risk exposure, and the entity's risk management strategies are noted below.

(i) Credit risk

Credit risk refers to the risk that a counterparty to the financial instruments would default in honouring its commitment per the contractual terms. The maximum credit risk at the reporting dates were:

	Consolidated 2014 \$	Consolidated 2013 \$
Trade and other receivables	29,903	1,728
	<u>29,903</u>	<u>1,728</u>

The management does not consider the recoverability as a risk.

(ii) Liquidity risks:

Liquidity risk is the risk that the entity will encounter difficulties to meet its contractual obligations arising from the financial liabilities.

Liquidity risk is constantly monitored and managed through forecasting operating cash requirements per the existing commitments, and future expected operating cash outflows.

There has been no change in the above policy since the prior year.

Maturity analysis of contractual undiscounted cash-flows on financial liabilities at reporting date.

	Consolidated < 3 Months \$	Consolidated Total \$
2014		
Trade and other payables	(204,292)	(204,292)
	<u>(204,292)</u>	<u>(204,292)</u>
2013		
Trade and other payables	(71,356)	(71,356)
	<u>(71,356)</u>	<u>(71,356)</u>

23. Financial instruments (Continued)

(iii) Interest rate risk:

The effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by \$42,252 (2013: \$61,683) and an increase in equity by \$42,252 (2013: \$61,383). The effect on loss and equity as a result of a 2% decrease in the interest rate, with all other variables remaining constant would be an increase in loss by \$42,252 (2013: \$61,683) and a decrease in equity by \$42,252 (2013: \$61,683).

(iv) Market risk:

The Consolidated Entity has no material exposure to market risk.

Fair value of the Group's financial assets and liabilities are revalued at fair value on a recurring basis.

The consolidated entity holds shares in listed entities which are classified as available-for-sale financial assets. The fair value of the financial assets as at 30 June 2014 was \$10,015 (30 June 2013: \$13,015). These financial assets are level 1 within the fair value hierarchy and the fair value is determined by revenue to quoted market prices.

The Directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximates their fair value.

24. Events subsequent to year end

On 21 July 2014, the Consolidated Entity announced that Moelis & Company was appointed sole lead manager of the takeover.

On 25 August 2014, the Consolidated Entity sought for shareholder approval at a meeting to be held on 23 September 2014 for, a change to nature and scale of activities, consolidation of capital, creation of performance share class and other resolutions including appointment of new directors.

On 26 August 2014, the Consolidated Entity issued a bidders statement to the shareholders of Cocoon Data Holdings Limited offering 0.6547 Fully paid ordinary shares and 0.0953 Performance Shares in the Consolidated Entity (post consolidation) to acquire all shares in Cocoon Data Holdings Limited.

There are no other matters or circumstances that have arisen since 30 June 2014 that have or may significantly affect the operations, results, or state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
 - a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year then ended; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - c) the financial statements also comply with International Financial Reporting Standards noted in Note 2(c).
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

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



Michael Scivolo
Non-Executive Chairman

Perth, 18 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Prime Minerals Limited

Report on the Financial Report

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

Directors' responsibility for the financial report

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

In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

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Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  International, a worldwide organisation of accounting firms and business advisers.

Auditor's opinion

In our opinion:

- (a) the financial report of Prime Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(c).

Report on the Remuneration Report

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

Auditor's opinion

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



HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
18 September 2014

HOLDINGS AS AT 18 SEPTEMBER 2013

Number of Securities Held	Fully Paid Shares No. of Holders
1 to 1,000	37
1,001 to 5,000	62
5,001 to 10,000	95
10,001 to 100,000	183
100,001 and over	190
Total Number of Holders	<u>567</u>
Number of holders of less than a marketable parcel	254
Percentage of the 20 largest holders	65.88%

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number	Percentage
Brijohn Nominees Pty Ltd <Nelsonio A/C>	38,000,000	11.26%
Coniston Pty Ltd and Jadel Pty Ltd	34,000,000	10.07%
Jason Peterson	18,001,260	7.71%

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

HOLDINGS AS AT 17 SEPTEMBER 2014 (Continued)

20 Largest Holders of Securities as at 17 September 2014:

Fully Paid Ordinary Shares

		No.	%
1.	Brijohn Nominees Pty Ltd <Nelsonio A/C>	38,000,000	11.261
2.	Rulston Pty Ltd	63,000,000	7.497
3.	Coniston Pty Ltd <The Coniston A/C>	18,000,000	5.334
4.	Jadel Pty Ltd <Del Piano No 2 Family A/C>	16,000,000	4.742
5.	Peakes Pty Ltd <Senate A/C>	16,000,000	4.742
6.	Australian Executor Trustees Limited <No 1 Account>	15,514,331	4.598
7.	Celtic Capital Pte Ltd	10,802,540	3.201
8.	TT Nicholls Pty Ltd	10,000,000	2.963
9.	Mr Micheal Foster Black & Mrs Lynette Robin Black	10,000,000	2.963
10.	Bantry Holdings Pty Ltd <Bantry Family A/C>	7,200,000	2.134
11.	Mr J & Mrs L Peterson <J & L Peterson S/F A/C>	7,198,720	2.113
12.	Celtic Capital Pty Ltd <The Celtic Capital A/C>	7,000,000	2.074
13.	Leo Barry Pty Ltd	6,494,357	1.925
14.	Taupo Holdings Pty Ltd	6,100,000	1.808
15.	Rinella Pty Ltd <Joseph Butta Super Fund A/C>	5,500,000	1.630
16.	JP Morgan Nominees Australia	5,439,099	1.612
17.	Pershing Australia Nominees	4,890,000	1.449
18.	Mr Quentin Joseph Flannery	4,500,000	1.334
19.	Citicorp Nominees Pty Ltd	4,355,225	1.291
20.	EOPTY Pty Ltd <EOPTY A/C>	4,000,000	1.185
		<hr/>	
		259,994,272	65.856

Unlisted Options

There are no unlisted options.

Restricted Securities

The Company has no restricted securities on issue as at the date of this report.