



ABN 50 127 291 927

ANNUAL REPORT

2014

Corporate Information

Emu NL

ABN 50 127 291 927

Directors

Peter Thomas (Non-Executive Chairman)
Greg Steemson (Managing Director)
Gavin Rutherford (Non-Executive Director)

Company Secretaries

Dennis Wilkins
Fiona Lawe Davies

Registered Office

Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005

Principal Place of Business

10 Walker Avenue
WEST PERTH WA 6005
Telephone: +61 8 9226 4266
Facsimile: +61 8 9485 2840

Postal Address

PO Box 1112
WEST PERTH WA 6872

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Auditors

Somes Cooke
Level 2, 35 Outram Street
WEST PERTH WA 6005

Email

info@emunl.com.au

Internet Address

www.emunl.com.au

Stock Exchange Listing

Emu NL shares are listed on the Australian Securities Exchange (ASX code: EMU).

Contents

Chairman's Letter	3
Review of Operations	4
Directors' Report	5
Auditor's Independence Declaration	11
Corporate Governance Statement	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Consolidated Financial Statements	18
Directors' Declaration	35
Independent Audit Report	36
ASX Additional Information	38

Chairman's Letter

Dear Fellow Shareholders

Despite the 2013/14 financial year being extremely disappointing for Emu and its shareholders, your Board neither lost faith in the promising South African Kimberly diamond operation nor deviated from its focus upon delivering the best outcome for shareholders. The reasons for your Board's reluctant decision to exit its position are detailed toward the end of this note.

Your managing director, Greg Steemson, is working hard reviewing and assessing projects and potential deals across the globe. In undertaking the task of identifying an attractive value add proposition, your Board is maintaining a vigilant watch and proceeding with expedition whenever apparently worthwhile opportunities present. An increasing number of project opportunities are being introduced to Emu by parties that have surfed the ASX for worthwhile targets.

Emu's appeal rests in the fact that it has very few shares on issue which are extremely tightly held and, by comparison with most of its peers, it has a very healthy bank balance and receivables position. In short, this interest from third parties amplifies the Board view that Emu is perfectly positioned to take advantage of any meaningful upturn in the market.

In taking a decision to acquire any project, your Board will act in a patient, measured and prudent manner without anxiety. It would be foolish to rush into a transaction for the sake of being seen to be doing something. Overtures for immediate, and frankly, unrealistic results in the context of dreadful market sentiment, must be resisted.

It was difficult to decide to exit the diamond operation given the project's promise especially as the grade and sale prices achieved proved better than we predicted from our pre purchase due diligence. Emu's investment in the operation was premised on cash-flow covering the staged purchase price payments due to the vendor. Year on year droughts (the driest for 100 years) and unpredictable plumbing failures combined to deprive the operation of satisfactory quality and quantities of process water adversely impacting diamond recoveries and, indeed, on occasion forcing the suspension of operations.

As a consequence, cash-flow projections were not met thus forcing Emu to finance its share of operating costs. With no assurance as to when the water issue would be resolved and with a record of operational and financial performance projections not being met, your Board was unable to attract capital on acceptable terms to enable Emu to be satisfied it could guarantee it would avoid the very real prospect of not having the financial wherewithal to meet its financial commitments if it stayed with the project.

Accordingly the Board took the hard decision to manage its risk profile by selling its share of the project and recovering most of the money expended thereon.

I wish to thank Mr Steemson for his relentless hands on endeavour, through the application of his time and expertise, to assure the success of the diamond operation.

Most importantly, on behalf of the Board, I thank all fellow Emu shareholders for their continued support and loyalty. It is your Board's position that patience and diligence rather than an intemperate approach will provide shareholders with a deserved outcome - a multiple return on investment.

Yours faithfully,

Peter Thomas - Chairman

Review of Operations

ACTIVITIES

As at 1st July 2013, Emu was a 50% shareholder in Superkolong (Pty) Ltd which company owned a diamond recovery operation based in Kimberley, South Africa. The first four months of ownership (commencing 1st March 2013) produced an encouraging physical and financial result and the Company was optimistic about that project and various growth opportunities that were then available.

However, by November 2013, the water supply issues, which had been arising intermittently in the previous months, became serious and were having a major impact on the plant, equipment and ultimately the financial performance of the operation. Notwithstanding the considerable effort to rectify the issue, Superkolong was unable to achieve the required water quality and volumes leading to the suspension of operations in February 2014.

During the period from November 2013 to March 2014, Superkolong's operating cash flow came under serious pressure requiring additional funds from shareholders to support the shortfall in revenues from the operation. In addition, there remained outstanding payments to the vendors of Superkolong. While Emu did contribute to working capital requirements, Emu did not have the financial wherewithal to meet the unexpected shortfall in operating revenue and thus the Board resolved not to provide further loan funds after December 2013 if it could sell its interest and in April 2014 accepted an offer for its interest in Superkolong from El Nino Mining (Pty) Ltd, Emu's 50% partner. The terms of this agreement were released to ASX at the time and should result in Emu being paid, on or before 31 July 2015, an aggregate of A\$3.0 million plus interest payments of A\$204,814. To date, Emu has received A\$1,052,312 of this amount leaving A\$2,152,502 to be paid in quarterly instalments.

During February and March 2014, the water supply issues were addressed and Superkolong resumed operations on a limited basis in the second half of March 2014. By the end of April, the plant was fully operational and in the months that followed was achieving "name plate" capacity of 200,000 tonnes per month.

Emu has one exploration project in Western Australia which is located north of Southern Cross and covers part of a greenstone belt prospective for base metals. Previous exploration located three electromagnetic features that remain untested and for which there are no obvious surface geological explanations. Exploration work planned for 2014/15 consists of a ground electromagnetic survey to refine the drill hole locations and drilling.

Meanwhile, Emu continues to search within Australia and overseas for additional projects consistent with its stated objectives.

COMPETENT PERSON'S STATEMENT

The details in this report pertaining to exploration results, mineral resources and mineral reserves are based upon information compiled by Mr Greg Steemson, Managing Director of Emu NL. Mr Steemson is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Steemson consents to the inclusion in this report of the matters based upon his information in the form and context in which they appear.

For the purposes of this Report, "the Group" is comprised of Emu NL and its wholly owned subsidiary Emu Blue Pty Ltd.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Emu NL and the entities it controlled (namely Emu Blue Pty Ltd) at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report follow. Each Director was in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Thomas, (Non-Executive Chairman)

Mr Thomas, 57, having served on ASX listed company boards for some 30 years, has been a non-executive director of Emu NL since 29 August 2007.

For over 30 years until June 2011, he ran a legal practise on his own account specialising in the delivery of wide ranging legal, corporate and commercial advice to listed explorers and miners.

Listed company directorships - past three years

- Magnetic Resources NL (resigned July 2013)
- Meteoric Resources NL (resigned September 2014)

Listed companies – current (at [date])

- Non-executive chairman Image Resources NL (since 19 April 2002) and Middle Island Resources Limited (since 2 March 2010).

Greg Steemson, (Managing Director)

Mr Steemson is a graduate of the University of Queensland and the University of Utah and is a qualified geologist and geophysicist. He has 40 years of experience over a wide range of geographies and commodities including gold, base metals, iron ore, diamonds, coal, mineral sands, phosphate, uranium and rare earth elements. He has operated in many different jurisdictions throughout the world and at most levels of the mineral industry from green-fields exploration to resource and project development through to mining. Mr Steemson was a founding director of Sandfire Resources NL and Allied Gold Limited. He was a director of Allied Gold Limited, Carbine Resources Limited, Mineral Commodities Limited and Nord Pacific Limited.

Gavin Rutherford, (Non-Executive Director)

Mr Rutherford has a background in agribusiness where he held for many years both national and international sales and management positions in international organisations before he successfully migrated into the mining services sector in 1996.

George Sakalidis was a director from the beginning of the financial year until his resignation on 8 November 2013.

COMPANY SECRETARY

Dennis Wilkins, B.Bus, AICD, ACIS

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid-tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles have broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of Duketon Mining Limited and Key Petroleum Limited. Within the last 3 years Mr Wilkins has also been but no longer is a director of Enterprise Metals Limited and Minemakers Limited.

Fiona Lawe Davies, LLB, B.Com

Ms Lawe Davies has been part of the corporate advisory team at DWCorporate Pty Ltd since 2009. Ms Lawe Davies is a qualified lawyer with experience in providing corporate law advice and facilitating M & A work with global clients.

Directors' Report (continued)

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

As at the date of signing this report, the relevant interests of the directors in the shares and options of Emu NL were:

	Ordinary Shares	Contributing Shares	Options over Ordinary Shares
Peter Thomas	5,501,993	19,848,918	183,585
Greg Steemson	5,713,627	19,536,211	-
Gavin Rutherford	876,379	876,379	-
George Sakalidis ⁽¹⁾	2,131,166	515,260	252,804

(1) The relevant interests of Mr Sakalidis' in the shares and options as disclosed above is at the date of his resignation, 8 November 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were (i) to explore its tenement interests in Western Australia; (ii) the joint ownership and management of an indirect 50% interest in a company the business of which is processing diamondiferous coarse tailings dumps in South Africa and (iii) assess and pursue mineral property acquisition opportunities globally.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group began the financial year with a cash reserve of \$1,142,396. The Group has raised a total of \$505,000 from the issue of 5,050,000 ordinary shares and 1,010,000 contributing shares during the year.

During the year, total exploration expenditure incurred by the Group amounted to \$225,905 (2013: \$464,961). In line with the Group's accounting policies, all exploration expenditure is expensed as incurred. Other expenditure incurred, net of revenue, amounted to \$624,416 (2013: \$355,663). The share of the Group's (Emu and its wholly owned subsidiary, Emu Blue Pty Ltd) net loss of the joint venture entity (Itakane Trading 243 (Pty) Ltd), accounted for using the equity method, was \$701,598 (2013: \$688,155 profit). This resulted in an operating loss after income tax for the year ended 30 June 2014 of \$1,551,919 (2013: \$132,469).

At 30 June 2014 cash assets available totalled \$752,943.

Operating Results for the Year

Summarised operating results are as follows:

	2014 Revenues \$	Results \$
Revenues and losses for the year from ordinary activities before income tax expense	(10,945)	(1,551,919)

Shareholder Returns

	2014	2013
Basic loss per share (cents)	(2.1)	(0.3)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board discharged the obligations of the risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

Directors' Report (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 22, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In order to make (or to secure the right to make) one or more acquisitions and to further its existing projects, the Group may undertake capital raisings. Emu's focus is on securing the return from its investment in Superkolong and making further mineral resource related acquisitions to accrete value to shareholders without triggering a requirement to dilute equity capital save when absolutely necessary to make strategic acquisitions.

Other than as set out above, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Policy principles used/to be used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Emu NL has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component. The board of Emu NL believes the remuneration policy for the year under review was appropriate and effective to attract and retain suitable key management personnel to run and manage the Group. Consideration has and will continue to be given to offering specific short and long term incentives including, specifically, equity remuneration.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. In general in respect of the year under review, executives received a base salary (which was based on factors such as experience) and superannuation. The board will review executive packages as and when it considers it appropriate to do so in accordance with its remuneration policy and by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and equity remuneration. The policy is to reward executives for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive, where required by law, a superannuation guarantee contribution required by the government of Australia, which was 9.25% for the 2014 financial year (9.5% effective 1 July 2014) but are not entitled to receive any other retirement benefits.

All remuneration paid to directors and executives is "valued" at the cost to the Group and expensed. Where applicable, options granted as equity remuneration are ascribed a "fair value" in accordance with Australian Accounting Standards.

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities, albeit that the non-executive directors are currently remunerated at the lower end of the market rate range. The board determines payments to the non-executive directors and policy is to effect reviews of remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in any equity remuneration arrangements.

Company performance, shareholder wealth and key management personnel remuneration

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and to encourage continued services of key management personnel.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2014.

Directors' Report (continued)

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received approximately 99% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices other than from the board and the company secretary.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group include only the directors as per page 5 above, and the previous company secretary, Mr Rudolph Tieleman, until his resignation on 19 December 2012.

Key management personnel of the Group

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$
Directors						
Peter Thomas						
2014	60,000	-	5,550	-	-	65,550
2013	81,177	-	4,451	-	-	85,628
Greg Steemson						
2014	360,000	-	-	-	-	360,000
2013	274,050	-	-	-	-	274,050
Gavin Rutherford						
2014	30,000	-	2,775	-	-	32,775
2013	17,137	-	1,543	-	-	18,680
George Sakalidis (resigned 8 November 2013)						
2014	10,667	-	987	-	-	11,654
2013	47,297	-	2,941	-	-	50,238
Other key management personnel						
Rudolph Tieleman						
2013	26,593	-	-	-	-	26,593
Total key management personnel compensation						
2014	460,667	-	9,312	-	-	469,979
2013	446,254	-	8,935	-	-	455,189

Written Service agreements

Greg Steemson, Managing Director:

A consulting agreement has been executed between the Company and Mr Steemson's nominated associated entity under which Mr Steemson delivers consulting services to the Company. Major provisions of the agreement are as follows:

- Term of agreement – Effective from 1 December 2012, with no fixed term and may be terminated by either party on two months' notice or, at the Company's election, payment of the 2 months' notice period in lieu of notice.
- Monthly fee of \$30,000 paid to Mr Steemson's nominated associated entity.

Messrs Thomas and Rutherford do not have employment contracts with the Company save to the extent that the Company's constating documents comprise the same.

Share-based compensation

Equity may be issued to key management personnel as part of their remuneration. The Group has a formal policy requiring key management personnel to limit their exposure to assuming risk in relation to their securities via margin facilities and the like.

No equity based remuneration was granted to or vested in key management personnel during the year.

Directors' Report (continued)

Equity instruments held by key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each director of Emu NL and other key management personnel of the Group, including their personally related parties, are set out below. No shares were granted as compensation during the reporting period.

2014

	Balance at start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at end of the period
Ordinary shares fully paid				
Peter Thomas	5,501,993	-	-	5,501,993
Greg Steemson	5,616,922	-	96,705	5,713,627
Gavin Rutherford	876,379	-	-	876,379
George Sakalidis (resigned 8 November 2013)	2,131,167	-	-	2,131,167 ⁽¹⁾
Ordinary shares partly paid to \$0.03				
Peter Thomas	19,848,918	-	-	19,848,918
Greg Steemson	19,536,211	-	-	19,536,211
Gavin Rutherford	876,379	-	-	876,379
George Sakalidis (resigned 8 November 2013)	512,260	-	-	512,260 ⁽¹⁾

(1) Balance held on date of resignation.

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Emu NL and other key management personnel of the Group, including their personally related parties, are set out below:

2014	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Peter Thomas	183,585	-	-	-	183,585	183,585	-
Greg Steemson	-	-	-	-	-	-	-
Gavin Rutherford	-	-	-	-	-	-	-
George Sakalidis (resigned 8 November 2013)	252,804	-	-	-	252,804 ⁽¹⁾	252,804	-

All vested options are exercisable at the end of the year.

(1) Balance held on date of resignation.

Loans to key management personnel

There were no loans to key management personnel during the year.

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held eleven meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A*	B**
Peter Thomas	11	11
Greg Steemson	11	11
Gavin Rutherford	11	11
George Sakalidis (resigned 8 November 2013)	4	5

Notes

*A – Number of meetings attended.

**B – Number of meetings held during the time the director held office during the year.

The full Board discharged the functions of the audit, remuneration, risk and nomination committees regularly and during the course of ordinary director meetings.

Directors' Report (continued)

SHARES UNDER OPTION

Unissued ordinary shares of Emu NL under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price (cents)	Number of options
22 December 2009	22 December 2014	58.74	841,148
27 June 2011	21 December 2015	42.66	82,736
Total number of options outstanding at the date of this report			923,884

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, in accordance with each director's Deed of Indemnity, Insurance and Access with Emu NL, the Group has paid premiums insuring all the directors of Emu NL against all liabilities incurred by the director acting directly or indirectly as a director of the Company to the extent permitted by law, including legal costs incurred by the director in defending proceedings, provided that the liabilities for which the director is to be insured do not arise out of conduct involving a wilful breach of the director's duty to the Company or a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$8,074 (2013: \$7,074).

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Somes Cooke or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Somes Cooke or associated entities received or are due to receive the following amounts for the provision of non-audit services:

	2014	2013
	\$	\$
Tax compliance services	2,500	-
Total remuneration for non-audit services	2,500	-

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors.



Greg Steemson

Managing Director

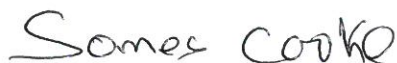
Perth, 30 September 2014

Auditor's Independence Declaration

To those charged with the governance of Emu NL

As auditor for the audit of Emu NL for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Somes Cooke



Nicholas Hollens
Partner

Perth

30 September 2014

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than ten.

As and if the Company's activities increase in size, nature and scope, the size of the board will be reviewed. Otherwise reviews will be effected periodically depending on circumstances. The optimum number of directors will be determined within the maximum and minimum limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution, the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior consultation with the Chairman (or another director if it is unreasonable that the Chairman is consulted).

ASX Principles of Good Corporate Governance

By force of adopted policies as uploaded to EMU's website or as a matter of practice (but this may change), EMU complies with the Recommendations, except to the extent set out in the below "if not, why not" statement.

Recommendation/Comment/Exception

2. Structure the board to add value

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

2.1 A majority of the board should be independent directors.

"If not, why not":

The Company believes that it complies but discloses the following information to allow you to critique this belief.

There are three Directors on the Board, one of whom (Mr Steemson) is an executive and therefore not independent.

Each of Messrs Thomas and Rutherford consider themselves to be independent directors as they are not part of the management team and they regards themselves as being free of any relationship (other than that of shareholder of the Company) that could materially interfere with the independent exercise of his judgement.

However, Rutherford acknowledges that it might well be perceived that his shareholding in the Company and remuneration as a Director may compromise or materially interfere with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things. As to the chair, Mr Thomas, refer the "If not, why not" response to Recommendation 2.2.

Given all the circumstances attendant upon the Company (including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the current number and the need for a board comprised of persons with a blend and diversity of traits, skills, gender, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders) it is thought by the Board that to appoint further directors (whose perceived independence is beyond doubt) or to procure the departure of one of the existing directors is unnecessary.

The Nominations Committee will regularly review the composition of the Board.

Corporate Governance Statement continued

2.2 The chair should be an independent director.

“If not, why not”:

See the “If not, why not” response to Recommendation 2.1. The chair, considered to be independent, will work quite closely with the management team. He regards himself as being free of any relationship that could materially interfere with the independent exercise of his judgement. However he acknowledges that it might well be perceived that his role in the formation and early development and promotion of the Company and its subsidiary, his shareholding in the Company and his remuneration as a Director compromises or materially interferes with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things.

3. Promote ethical and responsible decision- making

3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

“If not, why not”:

Whilst the Company has a diversity policy, that policy does not include requirements for the Board to seek to establish measurable objectives for achieving gender diversity. The Board does not think it useful to include measurable objectives in relation to gender but, rather, thinks capability and capacity are far more significant.

3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

“If not, why not”:

See the response to 3.2 above. Aside from the directors, every employee of the Group is female.

4. Safeguard integrity in financial reporting

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

4.1 The board should establish an audit committee.

4.2 The audit committee should be structured so that it:

4.2.1. consists only of non-executive directors;

4.2.2. consists of a majority of independent directors;

4.2.3. is chaired by an independent chair, who is not chair of the board;

4.2.4. has at least three members.

“If not, why not”:

The full board sits as the audit Committee because due to the size of the Company and the nature of its activities the board considers this to be appropriate have regard to burden, practicality and cost of compliance versus benefit.

8. Remunerate fairly and responsibly

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

8.1 The board should establish a remuneration committee.

8.2 Companies should be structured so that it:

8.2.1. consists of a majority of independent directors;

8.2.2. is chaired by an independent director;

8.2.3. has at least three members.

The Company’s remuneration committee will comprise its (2) non-executive Directors (together with such other person(s) as the Board sees fit to appoint).

8.3 Companies should clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives.

8.4 Companies should provide the information indicated in Guide to Reporting on Principle 8.

“If not, why not”:

The full board sits as the remuneration committee because due to the size of the Company and the nature of its activities the board considers this to be appropriate have regard to burden, practicality and cost of compliance versus benefit.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		2014	2013
		\$	\$
REVENUE	4	(10,945)	327,703
EXPENDITURE			
Depreciation expense		(1,665)	(12,754)
Exploration expenses		(225,905)	(464,961)
Other expenses	5	(611,806)	(670,612)
Share of net (loss)/profit of jointly controlled entity accounted for using the equity method	10	(701,598)	688,155
LOSS BEFORE INCOME TAX		(1,551,919)	(132,469)
INCOME TAX	6	-	-
LOSS AFTER INCOME TAX		(1,551,919)	(132,469)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		400	(8,800)
Exchange differences on translation of foreign operations		(15,456)	28,899
Exchange differences realised on disposal of foreign operations		(13,443)	-
Other comprehensive income for the year, net of tax		(28,499)	20,099
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF EMU NL		(1,580,418)	(112,370)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	24	(2.1)	(0.3)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2014

	Notes	Consolidated	
		2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	752,943	1,142,396
Trade and other receivables	8	2,041,757	129,529
Other assets		16,089	11,866
TOTAL CURRENT ASSETS		2,810,789	1,283,791
NON-CURRENT ASSETS			
Receivables	9	500,000	2,314,350
Investments accounted for using the equity method	10	-	717,054
Available-for-sale financial assets	11	10,000	74,600
Plant and equipment	12	5,123	6,787
TOTAL NON-CURRENT ASSETS		515,123	3,112,791
TOTAL ASSETS		3,325,912	4,396,582
CURRENT LIABILITIES			
Trade and other payables	13	51,030	45,558
Provisions	14	288	1,012
TOTAL CURRENT LIABILITIES		51,318	46,570
TOTAL LIABILITIES		51,318	46,570
NET ASSETS		3,274,594	4,350,012
EQUITY			
Contributed equity	15	10,860,215	10,355,215
Reserves	16	112,250	140,749
Accumulated losses		(7,697,871)	(6,145,952)
TOTAL EQUITY		3,274,594	4,350,012

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

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2014

	Notes	Contributed Equity \$	Share-Based Payments Reserve \$	Available-for- Sale Asset Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Consolidated							
BALANCE AT 1 JULY 2012		8,815,929	120,650	-	-	(6,013,483)	2,923,096
Loss for the year		-	-	-	-	(132,469)	(132,469)
OTHER COMPREHENSIVE INCOME							
Changes in the fair value of available-for-sale financial assets		-	-	(8,800)	-	-	(8,800)
Exchange differences on translation of foreign operations		-	-	-	28,899	-	28,899
TOTAL COMPREHENSIVE INCOME		-	-	(8,800)	28,899	(132,469)	(112,370)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the year	15	1,539,286	-	-	-	-	1,539,286
BALANCE AT 30 JUNE 2013		10,355,215	120,650	(8,800)	28,899	(6,145,952)	4,350,012
Loss for the year		-	-	-	-	(1,551,919)	(1,551,919)
OTHER COMPREHENSIVE INCOME							
Changes in the fair value of available-for-sale financial assets		-	-	400	-	-	400
Exchange differences on translation of foreign operations		-	-	-	(15,456)	-	(15,456)
Exchange differences realised on disposal of foreign operations		-	-	-	(13,443)	-	(13,443)
TOTAL COMPREHENSIVE INCOME		-	-	400	(28,899)	(1,551,919)	(1,580,418)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Shares issued during the year	15	505,000	-	-	-	-	505,000
BALANCE AT 30 JUNE 2014		10,860,215	120,650	(8,400)	-	(7,697,871)	3,274,594

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(409,757)	(691,774)
Expenditure on mining interests		(223,385)	(409,379)
Interest received		18,939	97,517
Other revenue		-	24,037
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	(614,203)	(979,599)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of available-for-sale financial assets		27,245	30,222
Proceeds on sale of plant and equipment		15,272	10,000
Payments for plant and equipment		-	(8,057)
Loans to related party		(808,305)	(2,278,700)
Repayments of loan by El Nino		500,000	-
Payments for available-for-sale financial assets		(8,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(273,788)	(2,246,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		505,000	1,539,286
(Payments)/proceeds from small parcel roundup (funds held on trust)		(6,462)	26,576
NET CASH INFLOW FROM FINANCING ACTIVITIES		498,538	1,565,862
NET DECREASE IN CASH AND CASH EQUIVALENTS		(389,453)	(1,660,272)
Cash and cash equivalents at the beginning of the financial year		1,142,396	2,802,668
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	752,943	1,142,396

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

Notes to the Consolidated Financial Statements

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Emu NL and its subsidiary. The financial statements are presented in the Australian currency. Emu NL is a no liability company, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2014. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Emu NL is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Emu NL Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the first time for the annual reporting period commencing 1 July 2013 that are relevant to the Group include:

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 13 *Fair Value Measurement*;
- AASB 119 *Employee Benefits*;
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*; and

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

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies, apart from AASB 11, and has no effect on the amounts reported for the current or prior years. However, the above standards have affected the disclosures in the notes to the financial statements.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention and going concern basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. These financial statements have been prepared on the going concern basis.

(b) Principles of consolidation

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Joint ventures

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has an interest in a joint venture which is accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Emu NL.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Emu NL's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit and loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

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

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Income tax

The income tax expense or revenue for the year is the tax payable on the current year'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 differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(j) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit and loss and other comprehensive income.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

(k) Plant and equipment

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

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

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss and other comprehensive income.

(l) Exploration and evaluation costs

All exploration and evaluation expenditure is expensed to the statement of profit and loss and other comprehensive income as incurred. That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of those assets.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Employee benefits

Wages and salaries and annual leave

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

(o) Share-based payments

The Group may provide benefits to employees (including directors) of the Group, and to vendors and suppliers, in the form of share-based payment transactions, whereby employees render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 25.

The cost of equity-settled transactions with employees is measured by reference to the "fair value" (not market value) at the date at which they are granted. The "fair value" is determined in accordance with Australian Accounting Standards. The Directors do not consider the resultant value as determined in accordance with Australian Accounting Standards (such as by the Black-Scholes European Option Pricing Model) necessarily represents market value. In the case of the share options issued, in the absence of reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing share options. Other models may be used.

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

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 number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

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

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option, and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as a modification of the original option.

(p) 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.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 replaces the multiple classification and measurement models in AASB 139 *Financial instruments: Recognition and measurement* with a single model that has only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A 'simple' debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the income statement, except for equity investments that are not traded, which may be recorded in the income statement or in reserves.

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules that were released in December 2013 align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Based on the financial assets and liabilities currently held, the Group does not anticipate any impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Group.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Environmental issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option or other recognised pricing model. Models use assumptions and estimates as inputs.

The Directors do not consider the resultant value as determined by, say, the Black-Scholes European Option Pricing Model is in anyway representative of the market value of the share options issued, however, in the absence of reliable measure of the goods or services received, AASB 2 *Share Based Payments* prescribes the measurement of the fair value of the equity instruments granted. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing equity instruments. Other recognised models may be used.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The full Board of Directors has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

During the year, the Group was exposed to foreign exchange risk arising from the South African Rand (ZAR) and United States dollar (USD) denominated loans receivable from its jointly controlled entity, IT 243. Following disposal of the Group's investment in, and loans to, IT243 on 29 May 2014, the Group is not exposed to foreign exchange risk at 30 June 2014.

The Group's previous exposure to foreign currency risk was as follows:

	2014 ZAR	2013 ZAR
Receivables	-	21,697,424

Sensitivity analysis

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the ZAR with all other variables held constant, the Group's post-tax loss would have been \$240,841 lower/higher as a result of foreign exchange gains/losses on translation of the ZAR denominated loan receivable. Other components of equity would not have been materially impacted by the foreign exchange movements.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as available-for-sale. Given the current level of operations, the Group is not currently directly exposed to commodity price risk. However, the operations of the jointly controlled entity are exposed to movements in the market price of diamonds. This risk is managed separately by the jointly controlled entity, with movements in the market price of diamonds having an immaterial impact on the financial statements of the Group.

The Group's equity investments are publicly traded on the ASX, with the investments being made for strategic purposes identified by the Board of Directors. The price risk is monitored by the Board and evaluated in accordance with these strategic outcomes. The Board does not currently intend on making any additional investments.

Sensitivity analysis

At 30 June 2014, if the value of the equity instruments held had increased/decreased by 15% with all other variables held constant, post-tax loss for the Group would not have changed and equity would have been \$1,500 higher/lower as a result of gains/losses on equity securities classified as available-for-sale (2013: \$11,190 higher/lower).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group's policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$752,943 (2013: \$1,142,396) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 2.6% (2013: 4.3%).

The Group was also exposed through the variable interest rate on the loans receivable from its joint venture entity during the year. Following disposal of the Group's investment in, and loans to, IT243 on 29 May 2014, the Group is not exposed to interest rate risk on its loans receivable at 30 June 2014.

Sensitivity analysis

At 30 June 2014, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$7,413 lower/higher (2013: \$30,475 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. Credit risk arises from cash and cash equivalents and the loan receivable from the jointly controlled entity.

All surplus cash holdings within the Group are to be invested with financial institutions with a minimum "A" rating.

The Group credit risk management policy requires weekly reporting to the Board as to where funds are invested, the term of the investment and current interest yield. The Board approved the terms and conditions of the loan receivable from the jointly controlled entity and manage credit risk, on daily basis, in accordance with the strategic outcomes of the loan.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Debt and equity funding are options open to the Company. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to ensuring the Group has adequate funds available.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. All of the Group's available-for-sale financial assets are publicly traded on the ASX and are classified as level 1 on the AASB 7 *Financial Instruments: Disclosures* hierarchy.

The carrying value, less impairment provision, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principal activity is mineral exploration.

Whilst not constituting a separately reportable segment, the board of directors did regularly review internal reports on the operations of the Group's jointly controlled entity IT243, prior to its disposal in May 2014. Refer to note 10 for further details, including summarised financial information on the Group's share of IT243's operations.

4. REVENUE

	Consolidated	
	2014	2013
	\$	\$
From continuing operations		
<i>Other revenue</i>		
Interest from banks and financial institutions	19,261	97,518
Interest from loan to jointly controlled entity	(85,358) ⁽¹⁾	87,840
Interest from loan to El Nino	26,436	-
Exchange differences realised on disposal of foreign operations	13,443	-
Net gain on disposal of plant and equipment	15,273	6,034
Net gain on sale of available-for-sale financial assets	-	80,372
Foreign exchange gains	-	41,874
Expense recoveries	-	14,065
	(10,945)	327,703

- (1) To satisfy South African Reserve Bank (SARB) regulations, during the 2014 financial year the Group was required to provide credit notes for interest previously charged on the loan to IT243 at the contracted rate, and re-issue invoices using SARB approved interest rates. These amendments have resulted in a net expense been recognised against interest income in 2014.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

Consolidated

2014
\$2013
\$

5. EXPENSES

Loss before income tax includes the following specific expenses:

Defined contribution superannuation expense	12,272	11,440
Minimum lease payments relating to operating leases	44,909	73,950
Impairment losses on loan to jointly controlled entity	45,510	-
Foreign exchange losses	85,967	-
Net loss on sale of available-for-sale financial assets	45,755	-

6. INCOME TAX

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(1,551,919)	(132,469)
Prima facie tax benefit at the Australian tax rate of 30%	(465,576)	(39,741)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net loss/(profit) of jointly controlled entity accounted for using the equity method	210,479	(206,447)
Sundry items	53,052	292
	(202,045)	(245,896)
Movements in unrecognised temporary differences	910	(31,719)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	201,135	277,615
Income tax expense	-	-

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account

Sundry items	7,503	3,132
Carry forward tax losses	2,255,884	2,050,405
	2,263,387	2,053,537

Deferred Tax Liabilities (at 30%)

	-	31,779
--	---	--------

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

Notes

Consolidated

2014

2013

\$

\$

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand		452,943	1,142,396
Short-term deposits		300,000	-
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows		752,943	1,142,396

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

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

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables		1,113	21,533
GST refundable		14,208	13,932
Loan to El Nino	9(a)	2,000,000	-
Interest receivable on loan to El Nino	9(a)	26,436	-
Interest receivable from jointly controlled entity	9(b)	-	94,064
		2,041,757	129,529

9. NON-CURRENT ASSETS - RECEIVABLES

Loan to El Nino	9(a)	500,000	-
Loan to jointly controlled entity	9(b)	-	2,314,350
		500,000	2,314,350

(a) Loan to El Nino

The loan to El Nino represents the balance owing on the consideration receivable under the Share (and Claims) Purchase Agreement (**Sale Agreement**) entered into between the Group and El Nino Mining Proprietary Limited (**El Nino**) whereby the Group disposed of its 50% shareholding in, and loans to, IT243. Total consideration was \$3,000,000 to be paid in six equal instalments, with the first instalment of \$500,000 received by the Group after satisfaction of all conditions precedent on 29 May 2014. The second instalment, with accrued interest, was received by the due date of 31 July 2014, with the remaining instalments to be paid quarterly from this date. Other terms of the Sale Agreement, amongst other things, are:

1. The instalments will be partially secured by Euro 600,000 (or Rand equivalent) which will be held in escrow pending full payment but reducing in line with the value of instalments outstanding.
2. All of El Nino's obligations are guaranteed by its parent company, Batla Minerals (SA), listed on Euronext (Marche Libre) in France.
3. Instalments outstanding shall attract interest calculated and compounded daily at the annual rate of 12%.
4. Should El Nino not pay all the instalments and interest, in addition to other rights that the Group may have (including to sue for the entire amounts outstanding), the shares and balance of the Group's loan account shall revert to the Group for no consideration.

(b) Loan to jointly controlled entity

The Group provided unsecured variable interest rate loans to Itakane Trading 243 Proprietary Limited, its jointly controlled entity. The rates were set at a premium of 3% to the publicly quoted prime lending rate of First National Bank of South Africa. However, to satisfy SARB regulations, during the 2014 financial year the Group was required to provide credit notes for interest previously charged on the loans to IT243 at the contracted rate, and re-issue invoices using SARB approved interest rates. These amendments have resulted in a net expense being recognised against interest income in 2014.

The loan at 30 June 2013 was denominated in ZAR. The loan agreement calls for staged repayments, with final repayment to be made four years after closing, or such later date that may be agreed. Further loans denominated in USD and AUD were provided during the 2014 financial year. All loans to IT243 were disposed of as part of the Sale Agreement. On disposal, a net impairment of \$45,510 was recognised in the profit or loss.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

Consolidated

2014 2013
\$ \$

10. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in jointly controlled entity – Itakane Trading 243 (Pty) Ltd (**IT243**) - 717,054

During the 2014 financial year the Group disposed of its 50% shareholding in, and loans to, IT243 through the Sale Agreement with El Nino as described in note 9. At the date of disposal the carrying value of the investment had been reduced, after recognising the Group's share of IT243's current period losses, to a balance of \$13,443 which comprised the Group's share of accumulated foreign exchange differences. This amount has been recognised in the profit or loss during the current year. The investment in IT243 was acquired during the 2013 financial year, details of which are described below.

Prior Period Acquisition Details

During the 2013 financial year, the Group acquired 50% of IT243, a limited liability company registered in South Africa. The remaining 50% was owned by El Nino, a South African registered company and subsidiary of Batla Minerals SA (an entity listed on the NYSE Euronext (Marche Libre) in Paris). On 1 March 2013, IT243 acquired all of the issued capital in and claims on loan account against Superkolong (Pty) Ltd (**SK**).

SK is a private company registered in South Africa and is a 30.4% shareholder in the South African company Kimberley Miners Forum Proprietary Limited (**KMF**). KMF has purchased various coarse, diamondiferous, kimberlite tailings dumps (Tailings Mineral Resources (TMRs)) situated around the town of Kimberley in South Africa from De Beers Consolidated Mines Limited (**DBCM**). SK operates a diamond tailings processing and recovery plant on land leased by SK from Petra Diamonds adjacent to the largest TMR resource purchased by KMF known as Chrono 1.

The terms of the acquisition by IT243 were, amongst other things: -

1. Purchase Price payable by IT243 to the SK Vendors in the amount of ZAR135 million (50% by the Group and 50% by El Nino), payable in four payments, due as follows: ZAR40 million on 1 March 2013, ZAR25 million on 1 September 2013, ZAR35 million on 1 March 2014, and ZAR35 million on 1 September 2014.
2. The effective recourse of the SK Vendors to recover and the Security for the Purchase Price is limited to the shares held by IT243 in SK and a portion of the cash flows of SK which are to be held in escrow.

The first tranche of ZAR40 million was paid during the year to 30 June 2013. The second tranche of ZAR25 million was paid on 30 August 2013.

(a) Movements in carrying amount

Carrying amount at the beginning of the financial year	717,054	-
Share of (losses)/profits after income tax	(688,155)	688,155
Share of exchange differences on translation of foreign operations	(15,456)	28,899
Exchange differences realised on disposal of foreign operations	(13,443)	-
Carrying amount at the end of the financial year	-	717,054

(b) Share of associate's results and financial position:

Current assets	-	2,160,772
Non-current assets	-	7,701,915
Total assets	-	9,862,687
Current liabilities	-	6,327,725
Non-current liabilities	-	2,817,908
Total liabilities	-	9,145,633
Net assets	-	717,054
Revenues	3,686,439	2,398,623
Expenses	(5,181,129)	(1,710,468)
Profit before income tax	(1,494,690)	688,155
Income tax benefit	150,438	-
Profit after income tax	(1,344,252)	688,155
Total losses not recognised ⁽¹⁾	642,654	-
Share of net (loss)/profit of jointly controlled entity	(701,598)	688,155

The above jointly controlled entity is incorporated in South Africa.

- (1) The Group's share of losses of the associate that exceeded its interest in the associate have not been provided for as the Group had no legal or constructive obligation in regards to such losses.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

Consolidated

2014 2013
\$ \$

11. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Equity securities in listed entities	10,000	74,600
--------------------------------------	--------	--------

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

12. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	10,572	79,626
Accumulated depreciation	(5,449)	(72,839)
Net book amount	5,123	6,787

Plant and equipment

Opening net book amount	6,787	15,450
Additions	-	8,057
Disposals	1	(3,966)
Depreciation charge	(1,665)	(12,754)
Closing net book amount	5,123	6,787

13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	1,742	8,543
Other payables and accruals	29,174	10,439
Funds held on trust for small parcel roundup	20,114	26,576
	51,030	45,558

14. CURRENT LIABILITIES - PROVISIONS

Annual leave provision	288	1,012
------------------------	-----	-------

15. ISSUED CAPITAL

(a) Share capital

		2014		2013	
	Notes	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid					
Fully paid	15(b), 15(d)	39,693,856	9,820,929	34,643,856	9,315,929
Contributing shares - partly paid to \$0.03 with \$0.03 to pay – no call to be made before 31 December 2017	15(b), 15(d)	35,652,856	1,039,286	34,642,856	1,039,286
Total issued capital		75,346,712	10,860,215	69,286,712	10,355,215

(b) Movements in ordinary share capital

Beginning of the financial year	69,286,712	10,355,215	27,500,000	8,815,929
Issued during the year:				
– Fully paid, issued for cash at 10 cents per share	5,050,000	505,000	-	-
– Fully paid, issued for cash at 7 cents per share	-	-	7,143,856	500,000
– Partly paid to \$0.03 per share upon issue, with a further 3 cents per share payable when called – no call to be made before 31 December 2017	1,010,000	-	34,642,856	1,039,286
End of the financial year	75,346,712	10,860,215	69,286,712	10,355,215

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

15. ISSUED CAPITAL (cont'd)

(c) Movements in options on issue

	Number of options	
	2014	2013
Beginning of the financial year	923,884	5,520,319
Expired on 27 February 2013, exercisable at \$1.0878	-	(4,596,435)
End of the financial year	923,884	923,884

(d) Ordinary fully and partly paid shares

Ordinary shares (which includes the contributing (or partly paid) shares) entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote for each fully paid share and in respect of a partly paid share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price.

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

At 30 June 2014 there were 35,652,856 ordinary contributing (or partly paid) shares on issue partly paid up to 3 cents, on which a further 3 cents was outstanding.

(e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to take advantage of organic and acquisitive mineral property opportunities, so that it may strive to provide returns for shareholders and benefits for other stakeholders.

Debt and equity funding options are open to the Group. The working capital position of the Group at 30 June 2014 and 30 June 2013 are as follows:

	Consolidated	
	2014	2013
	\$	\$
Cash and cash equivalents	752,943	1,142,396
Trade and other receivables	41,757	129,529
Other assets	16,089	11,866
Trade and other payables	(51,030)	(45,558)
Provisions	(288)	(1,012)
Working capital position	759,471	1,237,221

16. RESERVES

(a) Reserves

Available-for-sale financial assets	(8,400)	(8,800)
Share-based payments reserve	120,650	120,650
Foreign currency translation reserve	-	28,899
	112,250	140,749

(b) Nature and purpose of reserves

(i) Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income, as described in note 1(j) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

16. RESERVES (cont'd)

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

17. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

18. REMUNERATION OF AUDITORS

	Consolidated	
	2014	2013
	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:		
Audit and review of financial reports	36,000	23,700
Tax compliance services	2,500	-
Other	-	250
Total remuneration	38,500	23,950

19. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at the reporting date.

20. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Emu NL.

(b) Subsidiaries

Interests in subsidiaries are set out in note 21.

(c) Key management personnel compensation

Short-term benefits	460,667	446,254
Post-employment benefits	9,312	8,935
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	469,979	455,189

Refer to the Remuneration Report contained in the Directors' Report for the details of the remuneration paid or payable and the share and option holdings in relation to each of the Group's key management personnel for the year ended 30 June 2014.

(d) Loans to related parties

Emu NL has provided an unsecured, interest free loan to its wholly owned subsidiary totalling \$2,587,241 at 30 June 2014 (2013: \$2,278,700). An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company is to recognise an allowance for the impairment loss.

The Group had provided loans to its formerly jointly controlled entity, IT243, that were disposed of during the current reporting period (refer to note 9 for details).

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

20. RELATED PARTY TRANSACTIONS (cont'd)

(e) Transactions with other related parties

Transactions with director related entities

Key Management Personnel and Related Entity	Transaction	Consolidated	
		2014 \$	2013 \$
Greg Steemson – Steemson Geoscience Pty Ltd	Sale of plant and equipment	1,636	10,000
Greg Steemson – Steemson Geoscience Pty Ltd	Consulting expenses on-charged	99,940	5,235
Itakane Trading 243 (Pty) Ltd (jointly controlled entity)	Expenses on-charged	(2,780)	-
Peter Thomas and George Sakalidis - Image Resources Ltd, Magnetic Resources NL, Meteoric Resources NL	Receipt of expense recoveries	-	14,065
Peter Thomas and George Sakalidis - Image Resources NL	Payments for expenses	-	4,203

There were no balances outstanding at reporting date in relation to the above transactions, and the transactions were made on normal commercial terms and conditions and at market rates.

Other transactions with key management personnel

The Group is party to a Lease Agreement with Mr Peter Thomas, Chairman, whereby Mr Thomas has agreed to provide the Group with office accommodation for a fee of \$4,200 per month, terminable at will by either party on one month's notice, which commenced on 1 January 2013. Fees paid during the year totalled \$44,909, and there was nil outstanding at the reporting date.

21. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2014 %	2013 %
Emu Blue Pty Ltd	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

	Consolidated	
	2014	2013
	\$	\$
23. CASH FLOW INFORMATION		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	(1,551,919)	(132,469)
Non-Cash Items		
Depreciation of non-current assets	1,665	12,754
Net gain on sale of plant and equipment	(15,273)	(6,034)
Net loss/(gain) on sale of investments	45,755	(80,372)
Impairment losses on loan to jointly controlled entity	45,510	-
Provision for diminution in value of investments	-	-
Share of net loss/(profit) of jointly controlled entity	701,598	(688,155)
Net exchange differences	63,703	(35,650)
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	87,772	(8,715)
(Increase)/decrease in prepayments	(4,223)	94,262
Increase/(decrease) in trade and other payables	11,934	(134,887)
(Decrease) in provisions	(725)	(333)
Net cash outflow from operating activities	(614,203)	(979,599)

24. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

(1,551,919)	(132,469)
-------------	-----------

Number of shares	
2014	2013

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

74,732,411	40,302,177
------------	------------

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2014, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2014

25. SHARE-BASED PAYMENTS

Options issued to employees

The Group may provide benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby, for instance, options to acquire ordinary shares may be issued as an incentive to improve employee and shareholder goal congruence. The exercise prices of options so issued and outstanding at 30 June 2014 range from 42.66 cents to 58.74 cents per option and have expiry dates ranging from 22 December 2014 to 21 December 2015.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary fully paid share of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	Consolidated			
	2014		2013	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	923,884	57.3	5,520,319	100.2
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(4,596,435)	108.8
Outstanding at year-end	923,884	57.3	923,884	57.3
Exercisable at year-end	923,884	57.3	923,884	57.3

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.6 years (2013: 1.6 years), and the exercise prices range from 42.66 to 58.74 cents.

26. PARENT ENTITY INFORMATION

	2014	2013
	\$	\$
The following information relates to the parent entity, Emu NL, at 30 June 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.		
Current assets	784,353	1,189,728
Non-current assets	2,602,365	2,360,089
Total assets	3,386,718	3,549,817
Current liabilities	51,318	46,570
Total liabilities	51,318	46,570
Contributed equity	10,860,215	10,355,215
Reserves	112,250	111,850
Accumulated losses	(7,637,065)	(6,963,818)
Total equity	3,335,400	3,503,247
Loss for the year	(673,247)	(950,335)
Other comprehensive income	400	(8,800)
Total comprehensive income for the year	(672,847)	(959,135)

Directors' Declaration

In the directors' opinion:

- (a) the financial statements comprising the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 14 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the financial year ended on that date;
- (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 remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with Section 300A of the *Corporations Act 2001*; and
- (d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Greg Steemson

Managing Director

Perth, 30 September 2014

Independent Auditor's Report To the members of Emu NL

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

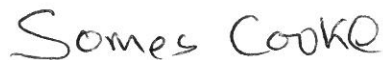
- (a) the financial report of Emu NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 (a).

Report on the Remuneration Report

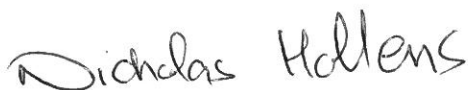
We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

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



Somes Cooke



Nicholas Hollens
30 September 2014
Perth

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2014.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares		Contributing shares	
			Number of holders	Number of shares	Number of holders	Number of shares
1	-	1,000	67	26,251	17	7,955
1,001	-	5,000	99	257,769	36	99,343
5,001	-	10,000	117	959,737	25	187,706
10,001	-	100,000	204	6,249,370	56	2,206,751
100,001		and over	46	32,200,729	22	33,151,101
			533	39,693,856	156	35,652,856

The number of shareholders holding less than a marketable parcel of shares are:

343	1,989,253
-----	-----------

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	G H & B F Steemson <GH Steemson Family Super>	4,911,549	12.37
2	Peter Sisley Thomas <WRP A/C>	4,355,135	10.97
3	W F & J I King <Karta Koomba Super>	2,919,287	7.35
4	A G & E S Melville <Melville Family Super>	1,580,594	3.98
5	George Sakalidis	1,562,811	3.94
6	J P Morgan Nominees Australia Ltd	1,377,806	3.47
7	West Side Sale Pty Ltd	1,100,000	2.77
8	G S & E D Blincow	1,000,000	2.52
9	Citicorp Nominees Ltd	952,210	2.40
10	Barrington Dance	936,247	2.36
11	Wit Team Enterprises Ltd	915,747	2.31
12	G A R & M L Rutherford <Gavelle S/F A/C>	876,379	2.21
13	Bullantco Pty Ltd	802,078	2.02
14	S J & A L Maraldo <Maraldo Family S/F A/C>	539,162	1.36
15	Leeman Pty Ltd	512,738	1.29
16	P E & J E Hatfull <Hatfull S/F A/C>	500,000	1.26
17	Wildbrook Nominees Pty Ltd <Panzich S/F A/C>	500,000	1.26
18	Yarrumup Pty Ltd <Capulet S/F A/C>	500,000	1.26
19	B C Mullan & A L Reid	459,643	1.16
20	St Barnabas Investments Pty Ltd <St Barnabas S/F A/C>	449,957	1.13
		26,751,343	67.39

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Ordinary Shares	Number of Contributing Shares
Bullantco Pty Ltd	802,078	14,747,964
G H and B F Steemson	5,713,627	19,536,211
P S Thomas	5,501,993	19,848,918
S A Goodwin	4,628,825	4,628,825
W F and J I King	1,919,287	-

ASX Additional Information

(d) Voting rights

All fully ordinary shares carry one vote per share. Each contributing share has a voting entitlement proportionate to the amount paid up thereon relative to the entire amount payable (including the amount paid but ignoring amounts credited as paid).

(e) Unquoted Securities

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Unlisted Contributing Shares - partly paid to \$0.03 with \$0.03 to pay – no call to be made before 31 December 2017	35,652,856	156	Bullantco Pty Ltd	14,747,964
Unlisted \$0.5874 Options, expiry 22 December 2014	841,148	14	George Sakalidis	252,804
			Roger Thomson	206,840
			Peter Thomas	183,585
Unlisted \$0.4266 Options, expiry 21 December 2015	82,736	8	Allan Younger	27,579
			Alex Romanoff	22,982