Mount Magnet South NL

(ABN 93 096 635 246)

Annual Financial Report

For the year ended 30 June 2014

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CORPORATE INFORMATION

Mount Magnet South NL

ABN 93 096 635 246

Directors

Alec Pismiris

Mark Pitt

Patrick Flint

Company Secretary

Susmit Shah

Registered Office

Level 1, 10 Outram Street

West Perth Western Australia 6005

+61 (8) 9213 8900

Principal Place of Business

Level 1, 10 Outram Street

West Perth Western Australia 6005

Share Register

Security Transfer Registrars Pty Limited

770 Canning Highway

Applecross Western Australia 6153

+61 (8) 9315 2333

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

Perth Western Australia 6000

Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth Western Australia)

Code: MUM

REVIEW OF OPERATIONS

Kirkalocka Gold Project (KGP)

During the year the Kirkalocka Gold Project remained on Care & Maintenance ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate. The Care & Maintenance activities were re-focused during the year to provide support to the Company's geological and rehabilitation activities undertaken on the tenement package.

Annual Environmental Reports and appropriate regulatory site inspections were completed during the year. As a result of the environmental inspection, a research and development program specifically focused at stabilising the decommissioned TSF surface to minimise dust emissions has been implemented. The success of this program will allow the TSF to remain as an asset to the organisation and serve duty as an active TSF upon the future recommissioning of the KGP.

Updated Optimised Feasibility Study

In August 2013, the Company's project team completed an update on the KGP Optimised Feasibility Study (OFS) and project cost model to reflect the ongoing development in the project and to ensure the OFS is up to date in the event market conditions improve sufficiently to support project development. This work involved the inclusion of the following key areas:

- successful completion of all major approvals for future construction and operations at Kirkalocka;
- completion of the KGP Technical Due Diligence Program by independent mining industry consulting group;
- refinement of the mine design, mining schedule, operating costs and treatment plant engineering technical design and capital cost estimations; and
- latest refinements documented to definitive feasibility standard.

The fundamental aspects and the key financial outcomes of the KGP outlined in the February 2013 Optimised Feasibility Study remain materially unchanged.

A review of the price and availability of major capital items in the study was completed in March 2014 with the result being a slight decrease in the overall capital items costed, providing evidence that the capital estimate for the project remained valid.

Wydgee Hills Iron Project

The September 2013 quarter saw the Company undertake early stage exploration work which was successful in confirming the potential for direct shipping hematite – goethite mineralisation which occurs in multiple locations. None of these potential DSO targets have been previously drill tested. Assessing the dimensions and continuity of these hematite - goethite mineral occurrences will form the basis of the next stage of any future iron exploration program.

During the year the Company continued systematic exploration for iron mineralisation over a group of existing and recently acquired tenements that cover a strike length of banded iron formation (BIF) extending over 10 kilometres. This work involved field mapping and sampling of outcrops in the Wydgee Hills Prospect area. The primary focus was to target potential direct shipping ore style mineralisation.

The Company's exploration activities identified two iron mineralisation deposit types, including Channel Iron Deposits and Insitu goethite - martite - hematite mineralisation associated with Archaean BIFs and the regional scale Wydgee Hills Synform Fold (WHSF).

Channel Iron Deposits

Two main areas of Channel Iron Deposit (CID) mineralisation were identified in the Wydgee Hills prospect area. This mineralisation is typical of the CIDs within the Hamersley Ranges, containing characteristic, ferruginised wood fragments. The CIDs are variable in width, strike and thickness. The larger deposit is several hundred metres in width and length and ranges in thickness from 1m to 5m.

REVIEW OF OPERATIONS (CONTINUED)

Figure 1 - Channel Iron Deposit showing hematitised wood fragments

Rock chip samples collected from the CID outcrops have returned encouraging results including up to 60% Fe. An average of 46 samples is provided in Table 1:

Fe%	SiO_2%	Al_2O_3%	TiO_2%	CaO%	MnO%	P%	S%	MgO%	K_2O%	LOI%
56.6	4.60	3.45	0.30	0.09	0.01	0.045	0.142	0.01	0.01	10.1

Table 1: Rock Chip Sample Results - CID

Insitu Goethite – Martite – Hematite Mineralisation

Exploration mapping defined multiple zones of goethite - martite - hematite mineralisation in semi continuous outcrop in both the eastern and western limbs as well as the fold closure position of the WHSF. The WHSF is a regional scale fold where bedding can be traced over 6 kilometres in strike length on the eastern limb. Continued mapping has increased the understanding of the intercalated nature of these BIF units with the surrounding basalts and mafic intrusives.

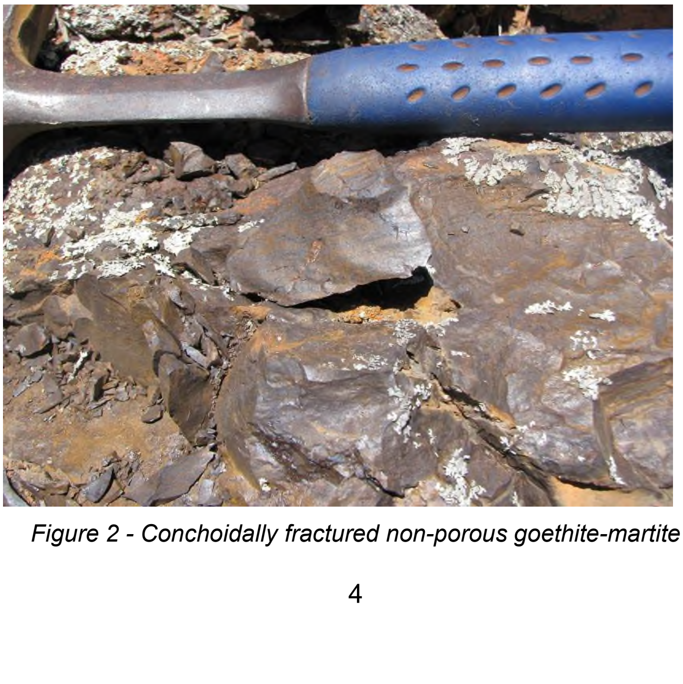

Figure 2 - Conchoidally fractured non-porous goethite-martite

REVIEW OF OPERATIONS (CONTINUED)

The mineralisation located on the eastern limb of the Wydgee Synform is variable in grade. Iron grades range between 52% Fe to 62% Fe. An average of 23 samples is provided in Table 2:

Fe%	SiO_2%	Al_2O_3%	TiO_2%	CaO%	MnO%	P%	S%	MgO%	K_2O%	LOI%
58.3	5.50	1.51	0.19	0.02	0.09	0.151	0.072	0.03	0.03	8.48

Table 2: Rock Chip Sample Results – Wydgee Synform East Limb

A parallel unit of approximately 300 metres X 40 metres located just east of the main martite-goethite outcrop was also identified and sampled. Results range between 51% to 61% Fe. An average of 9 samples is provided in Table 3:

Fe%	SiO_2%	Al_2O_3%	TiO_2%	CaO%	MnO%	P%	S%	MgO%	K_2O%	LOI%
57.6	8.42	3.24	0.09	0.08	0.03	0.05	0.09	0.03	0.02	5.31

Table 3: Rock Chip Sample Results – Wydgee Synform East Limb Parallel Unit

Geological field work was carried out along the Wydgee Hills / Amazon Iron Ore trend with the outcome being the generation of detailed lithological mapping of the area. In addition, detailed structural mapping is being undertaken in the area, with information being sourced from the previous outcrop mapping together with remote sensing imaging, including aeromagnetics and Aster imagery. This work is focussed to assist in the interpretation of buried Channel Iron Deposits as well as determining the potential strike length, width and tonnage of hematitic horizons as previously identified in the Wydgee Hills area.

Jumbulyer Iron Project

The Company completed a preliminary field mapping and sampling program over a group of tenements at the Jumbulyer Iron Project. Mineralisation appeared to occur in patchy lenses and confined to the upper portion of the BIF sequence. Mineralisation is siliceous with incomplete replacement of the chert by goethite. The iron enrichment appears to be a hardcap horizon on the BIF, with little likelihood of depth penetration. No further work is currently planned for the Jumbulyer Iron Project.

Jumbulyer Gold Project

A farm-in agreement between Mount Magnet South and Australian Mines Limited (ASX: AUZ) over the 31 tenements held in the Jumbulyer Project by Mount Magnet South was executed in March 2014. Mount Magnet South conducted initial geological evaluation and exploration work in the area identifying two key mineralised structures within the tenement package which demonstrate areas with potential to host gold mineralisation.

Under the terms of the agreement, Australian Mines may earn a 60% interest in the Jumbulyer project by spending $1M on exploration within an initial 2 year period with the option to spend a further $2M within 48 months of the completion of the initial 60% acquisition. Mount Magnet South retains 20% (free carry) up to the completion of a pre-feasibility study on the project, following which it can decide to contribute pro-rata or dilute its interest in lieu of further expenditure.

Foothills Prospect

The Foothills prospect is located within one of Australia's most prolific gold producing regions. Following the signing of the Agreement with Mount Magnet South, Australian Mines completed an initial field reconnaissance program over the Jumbulyer project area.

REVIEW OF OPERATIONS (CONTINUED)

This field work program was designed to further explore the previously identified Foothills copper-gold target where previous drilling completed by Mount Magnet South had returned a number of promising gold intersections over a 100 metres strike length including:

- 16 metres @ 6.6g/t gold from 9 metres (drill hole DH135)
- 10 metres @ 3.3g/t gold from 20 metres (drill hole FR001)
- 14 metres @ 2.6g/t gold from 38 metres (drill hole FRC04)
- 20 metres @ 3.0g/t gold from 41 metres (drill hole FHRC002)

In April 2014, Australian Mines commenced a ground geophysics program over the Foothills copper - gold prospect targeting bedrock mineralisation. The program, comprising a moving loop electromagnetic survey and a subsequent sub-audio magnetics survey was designed to test for the presence of gold-bearing pyrrhotite and/or pyrite (iron sulphide) zones within the broader project area.

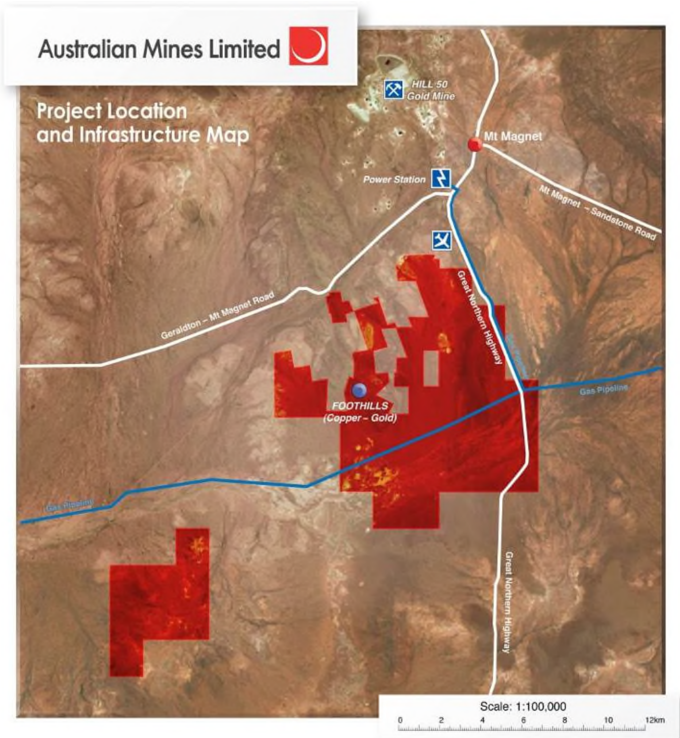

Figure 3: The Foothills prospect is well serviced by local infrastructure, being located only 15 kilometres southwest of the established mining town of Mt Magnet.

Upon completion of the Foothills moving loop electromagnetic survey, Australian Mines reported the identification of a bedrock conductor situated within close proximity to the oxide gold mineralisation previously recorded in shallow historic drilling.

As follow up, Australian Mines drilled a single reverse circulation (RC) hole into the interpreted bedrock conductor. The drill hole successfully intersected a zone of disseminated sulphides and quartz veining around the depth predicted by the Company's geophysicists. Assay results from this drill program are currently pending.

REVIEW OF OPERATIONS (CONTINUED)

Independent review of geological exploration potential of the Company's tenement portfolio

An independent geological review of the exploration potential of the Kirkalocka and surrounding tenements was commissioned by the Board during the second quarter. The outcome of this review provided a focus for the Company of the key tenements and locations within these tenements of geological interest, with the ultimate aim of being able to add to the inventory of mineral resources at the Kirkalocka Gold Project, in particular higher grade ore.

The review identified three key areas in which the Company will focus future exploration activities in search for higher grade gold deposits to support the Kirkalocka gold project. These areas are identified as follows:

- Curara Well Shear – north of the current resource the shear zone is identified as undergoing a change in strike direction. This area is seen as having the potential to host additional plunging shoots similar to the high grade shoots identified in the Kirkalocka resource.

- Jiljinny – Colombo trend. This area is relatively under explored and contains a number of structural targets which have been under-drilled.

- Nalbara Prospect is an area that has been under-drilled due to the depth of cover and deep weathering. This area has historically produced some higher grade gold intercepts but the depth of these results leaves this as a second tier target.

A review of the Company's tenement holdings within the area is currently underway along with the development of a focused geological mapping and preliminary exploration program of the areas of interest identified in the independent review.

Corporate Activities

Board Changes

In August 2013 Mr Alec Pismiris was appointed to the Board of Directors as Non-Executive Chairman, following the resignation of Mr Reginald Gillard. Mr Chenu retired as a director following the completion of the 2013 annual general meeting.

Mr Pismiris is currently a Director of Capital Investment Partners Pty Ltd, a company which provides corporate advisory services to the resources sector. Mr Pismiris has over 25 years' experience in the securities, finance and mining industries. Mr Pismiris has participated numerous times in the processes by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

Reduction in costs and overheads

In July 2013 the Company announced that it had undertaken a cost reduction program which has included the following key activities:

- Reduction in director fees; and
- Reduction in staffing levels.

To ensure the continuation of access to technical expertise required for the potential future development of the Company's projects, the Company has secured the services of consultants, which includes previous employees of the Company as required.

REVIEW OF OPERATIONS (CONTINUED)

The Company is maintaining care and maintenance capabilities for the Kirkalocka site and associated infrastructure. Costs in this area have undergone a reduction of 50% with the Company staff currently reviewing all associated cost centres to keep the costs at manageable levels without compromising the safety and security of the site.

Convertible Notes

In September 2013 the Company completed the renegotiation of certain terms with the holder of convertible notes with a face value of $1.5 million. A total of 10 million notes, convertible to 10 million shares with a face value of $1 million were redeemable by 27 August 2013, with the remaining 11.1 million notes convertible to 11.1 million shares with a face value of $0.5 million being redeemable on or before 17 January 2014.

In September 2013 the Company and the note holder agreed, subject to shareholder approval, to vary the terms of the $1 million convertible note whereby 66,666,667 convertible notes with a face value of $1 million convertible to 66,666,667 Shares at 1.5 cents each on or before 31 July 2015 would be issued to the note holder. At the Company's annual general meeting in November 2013 the convertible note was approved and the Company issued the note holder with 66,666,667 notes. The Company redeemed the January 2014 convertible note by making cash payment of $0.5 million.

R&D Claims

During the first quarter a review of the Company's successful Research and Development (R&D) claim for FY 2012 was undertaken by AusIndustry. The review has been completed and AusIndustry have advised no further compliance activity is planned.

Following the completion and submission of the required documentation for FY 2013, the Company received a cash refund of $1.44M during the December 2013 quarter under the Federal Government's Research and Development Tax Incentive Scheme.

The Company initiated the R&D review process in the final quarter of the year in preparation for lodging the R&D claim for the 2013/14 FY.

Competent Person Statement:

The information in this report that relates to the Kirkalocka Gold Project Mineral Resource was first reported by the Company in compliance with JORC 2004 in a market release dated 13 December 2012 and then updated to comply with JORC 2012 and reissued on 24 September 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 24 September 2013 and further confirms that all material assumptions and technical parameters underpinning the mineral resource estimates contained in the market release dated 24 September 2013 continue to apply and have not materially changed.

The information in this report that relates to the Kirkalocka Gold Project Ore Reserve was first reported by the Company in compliance with JORC 2012 in a market release dated 14 March 2013 (with further reporting on 24 September 2013). The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 14 March 2013 and further confirms that all material assumptions and technical parameters underpinning the ore reserve estimates contained in the market release dated 14 March 2013 continue to apply and have not materially changed.

The information in this report that relates to the Wydgee Hills Iron Project and the Jumbulyer Iron Project was first reported by the Company in compliance with JORC 2012 in a market release dated 7 November 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 7 November 2013.

The information in this report that relates to the Jumbulyer Gold Project was first reported by the Company in compliance with JORC 2004 in market releases dated 21 November 2012 and 28 February 2013. The Company has carried out no further work since that time on this project, which is now the subject of a farm-out agreement with Australian Mines Limited. The information in this report that relates to Exploration Results at Jumbulyer Gold Project is based on, and fairly represents information and supporting documentation prepared by Mr Marcus Hope, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hope is an employee of the Company. Mr Hope has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hope consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Annual Mineral Resource and Ore Reserves Statement

The Company has reported mineral resources and ore reserves at one of its projects, the Kirkalocka Gold Project (KGP). The mineral tenements comprising the KGP are located in the Mt Magnet region of Western Australia. There has been no change to mineral resources and ore reserves at the KGP during the year ended 30 June 2014.

The Company's Mineral Resources estimate at the KGP is as follows:

Category	Ore Tonnes (Mt)	Grade (g/t Au)	Gold (ounces)
Indicated	11.2	1.2	428,000
Inferred	3.8	1.0	119,000
TOTAL	**15.0**	**1.1**	**548,000**

Mineral Resource Estimate – December 2012

Notes:
- The December 2012 Mineral Resource has been reported above a 0.3 grams per tonne (g/t) cut-off for the laterite and a 0.5 g/t gold (Au) cut-off for the primary and supergene mineralisation.
- The Kirkalocka Gold Project Mineral Resource was updated to comply with the JORC 2012 reporting guidelines and the Company reported results on 24 September 2013.
- There was no change to the resource classification, quantities or grade since the Mineral Resource release in December 2012.
- Rounding conforming to JORC Code may cause some computational discrepancies.

The Company's Ore Reserve estimate at the KGP is as follows:

Reserve Category	Dry Tonnes (Mt)	Grade (g/t Au)	Gold In Situ (koz)
Probable	10.4	0.9	309

Notes:
- Rounding conforming to JORC Code may cause some computational discrepancies.
- The KGP Ore Reserve estimate was reported in accordance with JORC 2012 reporting guidelines on 14 March 2013 as part of an optimised feasibility study.

Governance and internal controls

The Company's procedures for the sample techniques and sample preparation for the resource estimate were audited by independent experts. Assays were conducted by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The mineral resource and ore reserve estimate were undertaken independently by Snowden Mining Industry Consultants and Auralia Mining Consultants respectively.

Competent Person Statement

The information in this Annual Mineral Resources and Ore Reserves Statement is based on, and fairly represents information and supporting documentation prepared by Mr Marcus Hope, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hope is an employee of the Company. Mr Hope has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hope has approved the Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears. NB: Readers' attention is also drawn to the "Competent Person" statements appearing in the "Review of Operations".

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Alec Pismiris B. Comm. MAICD IGIA (Non-executive Chairman)
Appointed 2 August 2013

Mr Pismiris is currently an Executive Director of Capital Investment Partners Pty Ltd, a company which provides corporate advisory services. Mr Pismiris holds a Bachelor of Commerce, is a member of the Australian Institute of Company Directors and is an associate of The Institute of Chartered Secretaries and Administrators. Mr Pismiris has over 25 years' experience in the securities, finance and mining industries. Mr Pismiris has participated numerous times in the processes by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

Other Current Directorships:
Papillon Resources Limited (appointed May 2006 to present)
Cardinal Resources Limited (appointed November 2010 to present)
Global Resources Corporation Limited (appointed October 2013 to present)
Aguia Resources Limited (appointed March 2014 to present)

Former Directorships in the last 3 years:
Prairie Downs Metals Limited (appointed October 2002 and resigned June 2012)
Horseshoe Metals Limited (appointed May 2010 and resigned May 2012)

Patrick Flint B.Comm. CA MAICD (Non-executive Director)
Appointed 18 April 2011

Patrick Flint has been involved in the resources sector as a director or company secretary of ASX and Toronto Stock Exchange listed companies with mineral projects in Australia, Africa and Asia for the last 20 years. He is a Chartered Accountant and has significant experience with project acquisitions, joint venture negotiations and management, fundraisings and corporate matters.

Other Current Directorships:
AVZ Minerals Limited (appointed May 2014)
Explaurum Limited (appointed November 2013)
Nemex Resources Limited (appointed September 2010)

Former Directorships in the last 3 years:
Erongo Energy Limited (appointed November 2006 and resigned February 2012)

Mark Pitt FAIMM, C.P Eng, AIME (Non-executive Director)
Appointed 26 October 2010

Mark Pitt is a mining engineer who has been responsible for the development and expansion of a number of mining operations in a variety of commodities. He has held directorships and other senior management roles in several ASX listed mining companies. These include gold miners Dioro Exploration NL, New Hampton Goldfields Limited and Perseverance Corporation Ltd and nickel and tin miner Metals Exploration Ltd. Mr Pitt's experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

DIRECTORS' REPORT (CONTINUED)

Mark Pitt (continued)

Other Current Directorships
Nil

Former Directorships in the last 3 years:
Lodestar Minerals Limited (appointed August 2007 and resigned July 2013)

Colin Chenu B Juris LLB (Non-executive Director)
Appointed 14 September 2010
Retired 25 November 2013

Reg Gillard BA, FCPA, FAICD, JP (Non-executive Chairman)
Appointed 18 April 2011
Resigned 2 August 2013

Company Secretary

Susmit Shah
Appointed 18 April 2011

Susmit Shah is a Chartered Accountant with over 25 years of experience. Over the last 20 years, Mr Shah has been involved with a diverse range of Australian public listed companies as a director or in company secretarial and financial roles.

Interests in the shares, performance rights and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares, rights and options of the Company were:

Director	Number of fully paid ordinary shares	Numbers of Performance Rights	Number of options over ordinary shares
Alec Pismiris	-	-	-
Mark Pitt	1,573,335	2,000,000	-
Patrick Flint	-	1,500,000	-

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the consolidated entity during the year was exploration and evaluation of mineral projects.

Operating result for the year

The Group's loss for the year to 30 June 2014 after income tax was $11,956,977 (2013: Loss of $12,048,104).

DIRECTORS' REPORT (CONTINUED)

Significant changes in the state of affairs

There have not been any significant changes in the state of affairs of the Group during the financial year, other than as noted in this financial report.

After balance date events

Events occurring after 30 June 2014 are disclosed in detail in Note 23.

Likely developments and expected results

The Company will continue exploration of its tenement portfolio with the objective of adding higher grade gold mineralisation to the Kirkalocka Gold Project resource base, particularly through exploration of target areas recently identified and which are detailed in the Review of Operations. Subject to market conditions, the Company will also continue discussions with potential financiers with respect to securing funding for the development and recommencement of mining and production operations at Kirkalocka as well as assess new project opportunities.

Environmental legislation

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulation when carrying out any exploration work. There have been no known breaches of environmental laws or permit conditions during the year.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors and officers for any breach of laws and regulations arising from their role as directors and officers. The agreement provides for the Company to pay an amount not exceeding $5,000,000. The total amount of premiums paid excluding government charges and taxes was $12,100.

REMUNERATION REPORT
(AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Mount Magnet South NL (the "Company") for the financial year ended 30 June 2014.

The key management personnel of the Company are the Directors of the Company, and Susmit Shah (Company Secretary).

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Remuneration committee

With the reduction in employee numbers from the start of the financial year and a subsequent reduction in the size of the Board to three directors, the previously formed Remuneration Committee of the Board of Directors of the Company was disbanded.

The Remuneration Committee's role had been to assess the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

As the Board comprised three directors for most of the financial year, the Board as a whole has been responsible for all remuneration related matters.

Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The Company listed on ASX on 23 May 2007, and members approved the maximum aggregate annual amount payable to non-executive directors as $500,000 on 24 November 2007.

The amount of aggregate remuneration apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Independent advice is obtained when considered necessary to confirm that remuneration is in line with market practice.

Each director receives a fee for being a director of the Company. Non-executive directors may receive performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of key management personnel is detailed in Tables 1 and 2.

Variable Remuneration

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. No short term incentive remuneration was paid during the financial year ended 30 June 2014.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. The long term incentive is provided in the form of performance rights and options over ordinary shares in the Company.

Employee Share Option Plan (ESOP)

The Mount Magnet South NL ESOP provides for the directors to set aside shares in order to reward and incentivise employees. Directors will not set aside more than 5% of the total number of issued shares in the Company at the time of the proposed issue. Officers and employees both full and part-time are eligible to participate in the plan.

Performance Rights Plan (PRP)

Shareholders approved the Company's PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to provide a framework for competitive and appropriate remuneration so as to retain and motivate skilled and qualified personnel whose personal rewards are aligned with the achievement of the Company's growth and strategic objectives.

Executive Employment Contracts

The key terms of the service agreements in place for the year ended 30 June 2014 are as set out below.

Graham Howard

Mr Howard was appointed as General Manager – Projects on 1 July 2011 with a total fixed remuneration package of $275,000 per annum inclusive of statutory superannuation. The agreement could be terminated by either party giving two months' notice. As part of the cost control measures taken by the Company, Mr Howard's employment was terminated on 8 October 2013.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2014

	Short-term			Post Employment	Long-term	Share-based payment	Total	Performance Related
Non-executive directors	**Salary & fees**	**Cash bonus**	**Consulting Fees**	**Superannuation**		**Performance Rights**		
Alec Pismiris[1]	60,000	-	-	-	-	-	60,000	-
Reg Gillard[2]	2,746	-	-	254	-	-	3,000	-
Colin Chenu[3]	10,000	-	-	-	-	-	10,000	-
Patrick Flint	21,968	-	-	2,032	-	-	24,000	-
Mark Pitt	21,968	-	-	2,032	-	-	24,000	-
Sub-total non-executive directors	**116,682**	**-**	**-**	**4,318**	**-**	**-**	**121,000**	
Executive directors and Senior management								
Graham Howard[4]	105,648	-	-	4,267	-	-	109,915	-
Susmit Shah[5]	-	-	-	-	-	-	-	-
Total	**222,330**	**-**		**8,585**	**-**	**-**	**230,915**	

1. Appointed as a director 2 August 2013. Fees for Mr Pismiris's services are paid to Capital Investment Partners Pty Ltd, an entity in which he is a director. The amount outstanding to Capital Investment Partners Pty Ltd at the Reporting Date was $6,600 included in Trade and other payables.
2. Resigned as a director on 2 August 2013.
3. Retired as a director on 25 November 2013.
4. Employment terminated effective 8 October 2013.
5. Fees totalling $72,436 for company secretarial and accounting services provided by Mr Shah were paid to Corporate Consultants Pty Ltd (refer note 21), a company related to Mr Shah and Mr Flint. The amount outstanding to Corporate Consultants Pty Ltd at the Reporting Date was $6,883 included in Trade and other payables.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 2: Remuneration of key management personnel (KMP) for the year ended 30 June 2013

	Short-term			Post Employment	Long-term	Share-based payment	Total	Performance Related
Non-executive directors	**Salary & fees**	**Cash bonus**	**Consulting Fees**	**Superannuation**		**Performance Rights**		
Reg Gillard	68,807	-	-	6,193	-	-	75,000	-
Colin Chenu	36,000	-	-	-	-	-	36,000	-
Patrick Flint[1]	79,815	-	63,900	7,183	-	-	150,898	-
Mark Pitt	33,027	-	-	2,973	-	72,000	108,000	67%
Sub-total non-executive directors	**217,649**	**-**	**63,900**	**16,349**	**-**	**72,000**	**369,898**	**19%**
Executive directors and Senior management								
Graham Howard	252,294	-	-	22,706	-	28,042	303,042	9%
Susmit Shah[2]	-	-	-	-	-	-	-	-
Sub-total Executives	**252,294**	**-**	**-**	**22,706**	**-**	**28,042**	**303,042**	**9%**
Total	**469,943**	**-**	**63,900**	**39,055**	**-**	**100,042**	**672,940**	**15%**

1. Executive director between 1 July 2012 and 30 September 2012, thereafter a Non-executive director.
2. Fees totalling $61,403 for company secretarial services provided by Mr Shah were paid to Corporate Consultants Pty Ltd (refer note 21), a company related to Mr Shah and Mr Flint.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Performance Rights

Details of performance rights provided as remuneration to key management personnel are set out below. Each performance right is convertible into one ordinary share upon achievement of the performance hurdles. No performance right will vest if the conditions are not satisfied, hence the minimum value of the performance rights set to vest is nil.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date. The relevant amount is included in the remuneration table (Table 1) above. Fair values at grant date are independently determined using Hoadleys Barrier1 option valuation model that takes into account the exercise price, term, the share price at grant date and expected price volatility of the underlying share, barrier price / performance hurdles, the expected dividend yield and the risk-free interest rate. For details on the valuation of performance rights, including assumptions used, refer to note 11.

Performance rights granted as part of remuneration for the year ended 30 June 2014

There we no performance rights granted as part of remuneration for the year ended 30 June 2014.

Performance rights granted as part of remuneration for the year ended 30 June 2013

Key Management Personnel	Grant date	Number granted	Number vested at year end	Average fair value per performance right at grant date	Maximum total value of grant yet to vest	Expiry date
Graham Howard	28 August 2012	2,000,000	-	$0.014	$28,042	28 August 2015

The vesting dates vary subject to meeting specific performance conditions. A total of 500,000 Performance Rights previously issued to Mr Howard were converted to shares during the year.

A total of 1,000,000 performance rights previously issued to Mr Howard lapsed during the year.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Key Management Personnel – Performance Rights Holdings

The number of performance rights held by each KMP of the Group during the financial year is as follows:

30 June 2014

Name	Held at 1 July 2013	Granted	Expired	Held at 30 June 2014
Alec Pismiris	-	-	-	-
Reg Gillard	2,500,000	-	(2,500,000)	-
Mark Pitt	3,666,666	-	(1,666,666)	2,000,000
Colin Chenu	1,666,666	-	(1,666,666)	-
Patrick Flint	3,000,000	-	(1,500,000)	1,500,000
Susmit Shah	-	-	-	-
Graham Howard[1]	2,000,000	-	-	N/A

[1]Whilst Mr Howard's employment was terminated on 8 October 2013, the Board resolved to allow him to retain his performance rights as he has continued to provide services to the Company on an ad-hoc basis.

Key Management Personnel - Shareholdings

The number of ordinary shares in Mount Magnet South NL held by each KMP of the Group during the financial year is as follows:

30 June 2014

Name	Held at 1 July 2013	Issued on conversion of rights	Other changes	Held at 30 June 2014
Alec Pismiris	-	-	-	-
Mark Pitt	1,573,335	-	-	1,573,335
Patrick Flint	-	-	-	-
Susmit Shah	-	-	-	-
Graham Howard	720,000	-	(720,000)	N/A
Reg Gillard	-	-	-	N/A
Colin Chenu	1,549,335	-	(1,549,335)	N/A

Messrs Howard, Gillard and Chenu ceased to be key management personnel during the year.

Other Key Management Personnel Transactions

There have been no transactions involving equity instruments other than those described in the above tables. Other transactions with key management personnel during the financial year and not disclosed above are noted below:

A fee of $50,000 (included in finance costs) was paid to Capital Investment Partners Pty, an entity in which Mr Pismiris is a director, for facilitating the renegotiation of terms in relation to convertible notes including the redemption date.

Company secretarial and accounting fees of $72,436 (2013:$61,403 company secretarial services only) have been paid or are payable to Corporate Consultants Pty Ltd, a firm in which Mr Shah and Mr Flint are stakeholders.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Legal services fees of $20,931 (2013:$310,879) have been paid or are payable to Bennett + Co (a firm in which Mr Chenu has a financial interest).

END OF REMUNERATION REPORT

Unissued Shares under Option

As at the date of this report there were no unissued ordinary shares under option.

Shares under Performance Rights

As at the date of this report, unissued shares under the Performance Rights are as follows:

Date granted	Issue and conversion price of rights	Expiry date	Number under rights
28 March 2012	Nil	28 March 2015	3,500,000
28 August 2012	Nil	28 August 2015	3,800,000
23 October 2012	Nil	23 October 2015	800,000
Total			**8,100,000**

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year, and the number of meetings attended by each director was as follows:

	Number of meetings eligible to attend	Number of meetings attended
Alec Pismiris	6	6
Reg Gillard	1	1
Mark Pitt	7	7
Colin Chenu	5	5
Patrick Flint	7	7

As noted elsewhere, previously constituted audit and remuneration committees of the Board were disbanded during the year as a result of the reduction in the size of the Board to three, all of whom are non-executive directors.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 21 and forms part of this directors' report for the year ended 30 June 2014.

DIRECTORS' REPORT (CONTINUED)

Non-Audit Services

No non-audit services were performed during the year by the Company's auditors.

Signed in accordance with a resolution of the directors.

Alec Pismiris
Chairman
Perth WA, 30 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

Perth, Western Australia
30 September 2014

W M Clark
Partner

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
Interest revenue	2(a)	17,798	119,696
Other revenue	2(a)	-	35,735
Employee benefit expense		(429,759)	(710,160)
Share based payments	11	-	(135,413)
Depreciation and amortisation expense	9	(39,490)	(28,669)
Finance costs		(174,338)	(190,595)
Exploration expenditure written off	10	(5,785,893)	(8,581,471)
Asset impairment – Kirkalocka plant and camp	9	(6,559,986)	-
Settlement of legal dispute	16(e)	-	(2,085,000)
Other expenses	2(b)	(425,452)	(1,529,916)
Loss before income tax		**(13,397,120)**	**(13,105,793)**
Income tax benefit	3	1,440,143	1,057,689
Loss after tax		**(11,956,977)**	**(12,048,104)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(11,956,977)**	**(12,048,104)**
Basic loss per share (cents per share)	5	(2.22)	(2.48)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
Assets			
Current assets			
Cash and cash equivalents	6	396,321	515,075
Trade and other receivables	7	23,243	1,534,911
Inventory		40,163	13,734
Total current assets		**459,727**	**2,063,720**
Non-current assets			
Receivables	8	21,108	38,477
Property, plant & equipment	9	3,069,036	9,649,362
Deferred exploration expenditure	10	4,200,000	7,633,684
Total non-current assets		**7,290,144**	**17,321,523**
Total assets		**7,749,871**	**19,385,243**
Liabilities			
Current liabilities			
Trade and other payables	12	207,085	479,055
Provisions	14	49,832	90,613
Borrowings	13	-	1,470,822
Total current liabilities		**256,917**	**2,040,490**
Non-current liabilities			
Borrowings	13	925,562	-
Provisions	15	4,500,000	3,425,800
Total non-current liabilities		**5,425,562**	**3,425,800**
Total liabilities		**5,682,479**	**5,466,290**
Net assets		**2,067,392**	**13,918,953**
Equity			
Issued capital	16	34,056,174	34,056,174
Convertible notes reserve	17	332,622	227,206
Equity benefits reserve	17	2,765,649	2,765,649
Accumulated losses	17	(35,087,053)	(23,130,076)
Total equity		**2,067,392**	**13,918,953**

The accompanying notes form part of these financial statements

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

	Issued Capital	Convertible Notes Reserve	Accumulated Losses	Equity Benefits Reserve	Total
	$	$	$	$	$
Consolidated					
Balance at 1 July 2012	**28,426,706**	**167,386**	**(11,081,972)**	**2,503,139**	**20,015,259**
Comprehensive loss for the year	-	-	(12,048,104)	-	(12,048,104)
Equity portion on convertible note	-	59,820	-	-	59,820
Shares issued during the year	6,003,356	-	-	-	6,003,356
Transaction costs	(373,888)	-	-	-	(373,888)
Options issued during year	-	-	-	152,300	152,300
Performance rights issued during year	-	-	-	110,210	110,210
Balance at 30 June 2013	**34,056,174**	**227,206**	**(23,130,076)**	**2,765,649**	**13,918,953**
Comprehensive loss for the year	-	-	(11,956,977)	-	(11,956,977)
Equity portion on convertible note	-	105,416	-	-	105,416
Balance at 30 June 2014	**34,056,174**	**332,622**	**(35,087,053)**	**2,765,649**	**2,067,392**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

		Consolidated	
		2014	**2013**
	Notes	**$**	**$**
Cash flows from operating activities			
Payments to suppliers & employees		(995,828)	(2,104,839)
Exploration and evaluation expenditure		(1,470,565)	(3,350,541)
Interest received		17,798	119,696
Other income		-	43,490
Settlement of legal dispute		-	(300,000)
Finance costs paid		(107,522)	(66,560)
Refund of rehabilitation and office bonds		1,516,370	-
Research and development tax refund		1,440,143	1,328,177
Net cash from (used in) operating activities	6	400,396	(4,330,577)
Cash flows from investing activities			
Payments for property, plant and equipment		(19,150)	(179,273)
Proceeds from sale of property, plant and equipment		-	12,800
Payment of rental bond		-	(14,000)
Net cash used in investing activities		(19,150)	(180,473)
Cash flows from financing activities			
Gross proceeds from share issues		-	4,193,156
Costs of share issues		-	(221,589)
(Repayments) / Proceeds of borrowings		(500,000)	500,000
Net cash (used in) provided by financing activities		(500,000)	4,471,567
Net decrease in cash and cash equivalents		(118,754)	(39,483)
Cash and cash equivalents at beginning of the year		515,075	554,558
Cash and cash equivalents at end of the year	6	**396,321**	**515,075**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

1. Summary of significant accounting policies

Basis of preparation

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

The financial report is presented in Australian dollars. The Company is a listed public company, incorporated in Australia.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets, and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax of $11,956,977 and has experienced net operating and investing cash outflows of $2,575,267 for the year (setting aside refunds of previously issued security bonds and research and development tax offset) and as at 30 June 2014 has net current assets of $202,810, which includes $396,321 in cash and cash equivalents.

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis as the Company has the capacity to raise new equity capital from a variety of sources including existing shareholders. The Group also has the capacity to reduce discretionary expenditure in line with available funding and enter into farm-out and / or joint venture agreements which would have the effect of reducing holding costs of mineral tenements. Subsequent to the reporting date, the Company has announced plans to raise up to approximately $1.14 million of which $120,000 has been raised as at the date of this report.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances. If however the Company does not obtain sufficient funding through the available avenues mentioned above, it could potentially raise a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications or liabilities that might be necessary should the Group not be able to continue to operate as a going concern.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Statement of compliance

The financial report was authorised for issue on 30 September 2014.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Mount Magnet South NL and its subsidiaries as at 30 June each year (the Group).

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

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

Significant accounting estimates and judgements

The preparation of the financial statements can involve the use of estimates and judgements by the directors about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The following significant accounting estimates and judgements were used in the preparation for the financial statements.

i) Recoverability of Property, Plant and Equipment

The Group has undertaken a review of the recoverable amount of property, plant and equipment based on fair value less costs to sell. The Directors' assessment is that the recoverable amount is in excess of carrying value (which is book value reduced by an impairment provision).

ii) Provision of rehabilitation and restoration

The Group has estimated the expenditure required in accordance with statutory regulations and best industry practice to rehabilitate the Kirkalocka Gold Project upon cessation of all activities at the site.

iii) Exploration and Evaluation Expenditure

In accordance with accounting policy note 1(r) management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

a. Revenue recognition

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

b. Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

c. Cash and cash equivalents

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

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

d. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

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

e. Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

f. Income tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

g. Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

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

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

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

h. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.
The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

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

i. Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

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

j. Impairment of assets

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

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

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

k. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

l. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

m. Provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

n. Employee leave benefits

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

o. Share-based payment transactions

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes or Binomial model.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant 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 Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

1. Summary of significant accounting policies (continued)

Significant accounting estimates and judgements (continued)

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

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

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

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

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

r. Exploration and evaluation

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

Significant accounting estimates and judgements (continued)

The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

s. 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 Board of Directors of Mount Magnet South NL.

2. Revenue and expenses

	Consolidated	
	2014	**2013**
	$	$
(a) Revenue		
Interest income	17,798	119,696
Other revenue	-	35,735
	17,798	155,431
(b) Other expenses		
Consulting	58,907	352,233
Auditor's remuneration	50,000	23,820
Administration and office expenses	227,643	452,653
Rental expense	80,529	131,815
Legal fees	15,443	328,973
Due diligence costs	(7,070)	240,422
	425,452	1,529,916

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

3. Income tax

	Consolidated	
	2014	**2013**
	$	**$**
The prima facie income tax (expense)/benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before tax from continuing operations	(13,397,120)	(13,105,793)
Income tax benefit at the applicable tax rate of 30%	4,019,136	3,931,738
Non-deductible expenses at the applicable tax rate of 30%	(3,320,361)	(686,126)
Deferred tax asset not recognised	(698,775)	(3,245,612)
Research and Development Grant in relation to prior year	1,440,143	1,057,689
Income tax benefit	1,440,143	1,057,689
Unrecognised Deferred Tax Asset		
Deferred tax asset not recognised in the financial statements:		
Unused tax losses (at 30%)	8,400,626	7,147,310
Deductible temporary differences (at 30%)	322,260	27,184
Unrecognised deferred tax asset	8,722,886	7,174,494
Deferred tax liability – exploration expenditure (at 30%)	937,740	790,105
Net unrecognised deferred tax asset	7,785,146	6,384,389

The potential deferred tax benefit has not been recognised as an asset in the financial statements because recovery of the asset is not considered probable in the context of AASB 112, Income Taxes.

The benefit will only be realised if:

a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised.

b) the Company complies with the conditions for deductibility imposed by the law; and

c) no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

4. Dividends

The Company has not declared a dividend for the year ended 30 June 2014.

5. Earnings (loss) per share

	Consolidated	
	2014	**2013**
	Cents per share	**Cents per share**
Basic earnings (loss) per share from continuing operations	(2.22)	(2.48)
Diluted earnings (loss) per share from continuing operations	(2.22)	(2.48)

Basic earnings/(loss) per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

- Loss ($)	(11,956,977)	(12,048,104)
- Weighted average number of ordinary shares (number)	538,020,816	485,723,263

6. Cash and cash equivalents

	Consolidated	
	2014	**2013**
	$	$
Cash at bank and on hand	396,321	515,075
	396,321	515,075

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

6. Cash and cash equivalents (continued)

i. Reconciliation of loss for the year to net cash flows from operating activities:

	Consolidated	
	2014	**2013**
	$	**$**
Loss from ordinary activities after income tax	(11,956,977)	(12,048,104)
Write-off of non-current assets	12,345,879	8,581,471
Equity settled share based payments	-	135,413
Loss / (Profit) on sale of plant and equipment	-	7,755
Convertible note interest	41,291	82,302
Settlement of legal dispute	-	1,785,000
Depreciation	39,490	28,669
Changes in net assets and liabilities:		
(Increase)/Decrease in other receivables	1,529,038	288,695
(Increase)/Decrease in inventory	(26,429)	3,142
(Increase)/Decrease in exploration	(2,352,210)	(3,513,242)
(Decrease)/Increase in trade creditors and accruals	(253,105)	318,272
(Decrease)/Increase in provisions	1,033,419	50
Cash flows from (used in) operations	400,396	(4,330,577)

7. Trade and other receivables (Current)

	Consolidated	
	2014	**2013**
Current	**$**	**$**
Performance Bond	-	1,499,000
Prepayments	1,000	7,177
GST recoverable	22,243	28,734
	23,243	1,534,911

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

8. Trade and other receivables (Non-current)

	Consolidated 2014 $	Consolidated 2013 $
Non-current		
Rental bond	21,108	38,477
	21,108	38,477

9. Property, plant and equipment

	2014 $	2013 $
Plant, equipment & vehicles – at cost	9,898,869	9,879,719
Less: accumulated depreciation	(269,847)	(230,357)
Less: impairment	(6,559,986)	-
Total property, plant & equipment	3,069,036	9,649,362

Reconciliation: 2014	**Mining Plant**	**Motor Vehicles**	**Plant & Equipment**	**Total**
	$	**$**	**$**	**$**
Opening written down value	9,581,871	47,225	20,266	9,649,362
Additions	19,150	-	-	19,150
Impairment of Kirkalocka plant & camp[1]	(6,559,986)	-	-	(6,559,986)
Depreciation	(7,706)	(18,174)	(13,610)	(39,490)
Closing written down value	3,033,329	29,051	6,656	3,069,036

Reconciliation: 2013	**Mining Plant**	**Motor Vehicles**	**Plant & Equipment**	**Total**
	$	**$**	**$**	**$**
Opening written down value	9,455,650	26,752	36,911	9,519,313
Additions	128,370	47,193	3,710	179,273
Disposals	-	(20,555)	-	(20,555)
Depreciation	(2,149)	(6,165)	(20,355)	(28,669)
Closing written down value	9,581,871	47,225	20,266	9,649,362

[1]In light of prevailing market and gold price conditions making it difficult to obtain funding (both equity and debt), fair values for gold assets, both plant & equipment and mineral tenements, have declined and the Directors consider it prudent to recognise an impairment of $6,559,986 in the recoverable value of Kirkalocka Gold Project plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

10. Deferred exploration expenditure

	Consolidated	
	2014	**2013**
	$	**$**
Exploration and evaluation phase:		
Balance at the beginning of the year	7,633,684	11,843,415
Exploration expenditure incurred	1,278,009	3,430,940
Provision for rehabilitation and restoration (Note 15)	1,074,200	940,800
Exploration expenditure written off	(5,785,893)	(8,581,471)
Total exploration expenditure	4,200,000	7,633,684

The recoupment of costs carried forward for areas of interest in the exploration and evaluation phase is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

In light of prevailing market and gold price conditions making it difficult to obtain funding (both equity and debt), fair values for gold assets, both plant & equipment and mineral tenements, have declined and the Directors consider it appropriate to recognise an impairment of $5,785,893 against exploration expenditure carried forward in relation to the Kirkalocka Gold Project.

11. Share Based Payment Plans

The Company has in place an Employee Share Option Plan (ESOP) and a Performance Rights Plan (PRP).

Performance Rights Plan (PRP)

Shareholders approved the Mount Magnet South NL PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The plan provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the plan, convert into fully paid ordinary shares. Where the participant is a director of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual.

Please refer to note 16 (d) for the summary of performance rights granted under the PRP.

For the year ended 30 June 2014 no options were granted under the ESOP, and no options remain on issue that were previously issued pursuant to the ESOP.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

11. Share Based Payment Plans (continued)

Fair value of performance rights granted

The fair values at grant date are independently determined using a binomial pricing model (refer note 1(o) and (e) (iii)) that takes into account the exercise price, the term of the rights, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the rights.

There were no performance rights granted during the year ended 30 June 2014.

The model inputs for the performance rights granted during the year ended 30 June 2013 include:

Number of Rights	4,100,000	800,000
Exercise price	Nil	Nil
Grant date	28 August 2012	17 October 2012
Expiry date	28 August 2015	17 October 2015
Share price at grant date	4.7 cents	4.1 cents

Expenses arising from share-based payment transactions	Consolidated 2014 $	Consolidated 2013 $
Performance rights issued to directors and employees	-	143,226
Performance shares issued to employees	-	25,200
Forfeited performance shares	-	(33,013)
	-	135,413

12. Trade and other payables

	Consolidated 2014 $	Consolidated 2013 $
Trade payables	108,992	257,147
Sundry accrued expenses	98,093	221,908
	207,085	479,055

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

13. Borrowings (Current and Non-current)

	Consolidated	
	2014	**2013**
	$	**$**
Convertible Notes		
Current convertible notes[1]	-	1,470,822
Non-current convertible notes[1]	925,562	-
	925,562	1,470,822
Summary of Balance		
Convertible notes – face value	1,000,000	1,500,000
Amount classified as equity	(105,416)	(227,206)
Unwinding of interest	30,978	198,028
Carrying amount of liability	925,562	1,470,822

1. During the year the terms of the converting notes on issue at 30 June 2013 with a face value of $1,500,000 were renegotiated. Notes with a face value of $500,000 were repaid in cash, whilst new terms were agreed for notes with a face value of $1,000,000. Notes with a face value of $1,000,000 have the following key terms:
   - 66,666,667 converting notes with a face value of $0.015 each.
   - Interest on each converting note accrues daily and is calculated and paid quarterly at an interest rate of 5%.
   - The notes mature on 31 July 2015.

14. Provisions (Current)

	Consolidated	
	2014	**2013**
	$	**$**
Current		
Rehabilitation and restoration	30,000	30,000
Employee entitlements	19,832	60,613
	49,832	90,613

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

15. Provisions (Non-current)

	Consolidated	
	2014	**2013**
	$	**$**
Non-current		
Rehabilitation and restoration[2]	3,500,000	2,425,800
Deferred vendor consideration[1]	1,000,000	1,000,000
	4,500,000	3,425,800

1. Relates to deferred purchase consideration payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively on the sale of the Kirkalocka Plant).
2. The non-current rehabilitation and restoration provision is the estimated environmental rehabilitation costs for the Kirkalocka Project.

16. Issued capital

		Consolidated	
		2014	**2013**
		$	**$**
(a)	Issued Capital	34,056,174	34,056,174

	Number of shares	**$**
(b) Movements in ordinary shares on issue		
At 1 July 2012	369,315,612	28,426,706
- Rights Issue	123,105,204	3,693,156
- Share Issue to employee on conversion of Performance Rights	600,000	25,200
- Share Issue on settlement of legal dispute (refer (e) below)	35,000,000	1,785,000
- Share Issue	10,000,000	500,000
- Share Issue Costs	-	(373,888)
At 30 June 2013	538,020,816	34,056,174
- No movement for the 2013-2014 financial year	-	-
At 30 June 2014	538,020,816	34,056,174

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

16. Issued capital (continued)

(c) Options - movement for the year ended 30 June 2014 is as below:

Exercise price ($)	Expiry date	Balance at beginning of year (Number)	Issued during year (Number)	Expired during year (Number)	Balance at end of year (Number)
$0.09	31 October 2013	6,000,000	-	(6,000,000)	-
$0.07	31 August 2014	42,479,275	-	-	42,479,275
$0.05	31 August 2014	10,000,000	-	-	10,000,000
		58,479,275	**-**	**(6,000,000)**	**52,479,275**
Weighted Average Price ($)		$0.068		$0.09	$0.066

(d) Performance rights – movement for the year ended 30 June 2014 is as below:

Exercise Price ($)	Expiry date	Balance at the beginning of the year (number)	Granted during the year (number)	Converted / Expired during the year (number)	Balance at the end of year (number)	Vested and exercisable at end of year (number)
Nil	30 November 2013	5,999,998	-	(5,999,998)	-	-
Nil	27 May 2014	4,000,000	-	(4,000,000)	-	-
Nil	13 June 2014	1,500,000	-	(1,500,000)	-	-
Nil	28 March 2015	3,500,000	-	-	3,500,000	-
Nil	28 August 2015	3,800,000	-	-	3,800,000	-
Nil	23 October 2015	800,000	-	-	800,000	-
		19,599,998	**-**	**(11,499,998)**	**8,100,000**	**-**

(e) Settlement of legal claim

On 15 February 2013, the Company entered into a deed of settlement, compromise and release in respect of the Supreme Court Proceedings commenced in November 2011 (Proceedings) by four corporate entities associated with former directors of the Company (Entities). Various claims were made in the Proceedings, arising from a deed between the Entities and the Company for financing of the acquisition of the Company's plant at Kirkalocka, a deed of charge to secure the Company's obligation with respect to that deed, and various agreements for the issue to those Entities of convertible notes.

The proceedings were also brought against other parties by the Entities, and involved third parties joined in the proceedings by the Company.

Under the deed of settlement, compromise and release and, under a separate agreement between the Company, the other defendants and the third parties, the Company issued to the Entities or their nominees 35,000,000 shares. Additionally, a cash payment was required to be made to the Entities, of which the Company's contribution was $300,000. Settlement of the compromise occurred in March 2013, at which time the Proceedings were dismissed.

The Company also agreed to the Entities or their nominees subscribing for an additional 10,000,000 shares at an issue price of $0.05 per share, to raise $500,000. This share issue was completed in March 2013.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

17. Reserves and Accumulated losses

	Consolidated	
	2014	**2013**
	$	**$**
Movement in convertible notes reserve		
Balance at 1 July	227,206	167,386
Equity portion of convertible notes	105,416	59,820
Balance at 30 June	332,622	227,206

The convertible notes reserve is used to record the equity component of convertible notes issued by the Company.

Reserves		
Equity benefits reserve	**$**	**$**
Balance at 1 July	2,765,649	2,503,139
Options issued during the year	-	152,300
Issue of Performance Rights	-	110,210
At 30 June	2,765,649	2,765,649

The equity benefits reserve is used to record the value of equity benefits provided to employees, directors and consultants as part of their remuneration.

	Consolidated	
	2014	**2013**
	$	**$**
Movement in accumulated losses		
Balance at 1 July	(23,130,076)	(11,081,972)
Net loss for the year	(11,956,977)	(12,048,104)
Balance at 30 June	(35,087,053)	(23,130,076)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

18. Remuneration of auditors

	Consolidated	
	2014	**2013**
	$	**$**
The auditor of Mount Magnet South NL is HLB Mann Judd		
Amounts received & receivable by the auditor :		
- an audit or review of the financial report of the Group	35,000	39,225
- other services	-	-
	35,000	39,225

19. Financial Instruments

The Group's principal financial instruments comprise cash and short-term deposits and convertible notes.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term deposits with a floating interest rate.

The Group's exposure to interest rate on financial assets and financial liabilities is detailed in the sensitivity analysis section of this note.

(b) Sensitivity analysis

During 2014, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post tax result for the year. The impact on equity would have been the same.

(c) Net fair values

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities approximates their carrying value.

(d) Commodity price risk

The Group's exposure to price risk is minimal.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

19. Financial Instruments (continued)

(e) Credit risk

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

(f) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of share issues and convertible notes.

The Group's payment commitments at 30 June 2014 were as follows:

Description	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Consolidated	**$**	**$**	**$**	**$**	**$**
Payables & Accruals	207,085	-	-	-	207,085
Convertible notes	-	-	-	1,000,000	1,000,000
Amount due under contract of sale	-	-	-	1,000,000[1]	1,000,000
Rehabilitation & restoration	-	-	30,000	3,500,000	3,530,000
Other provisions	19,832	-	-	-	19,832
	226,917	-	30,000	5,500,000	5,756,917

The Group's payment commitments at 30 June 2013 were as follows:

Description	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Total**
Consolidated	**$**	**$**	**$**	**$**	**$**
Payables & Accruals	479,055	-	-	-	479,055
Convertible notes	-	970,822	500,000	-	1,470,822
Amount due under contract of sale	-	-	-	1,000,000[1]	1,000,000
Rehabilitation & restoration	-	-	30,000	2,425,800	2,455,800
Other provisions	60,613	-	-	-	60,613
	539,668	970,822	530,000	3,425,800	5,466,290

[1]Amount due under contract of sale is payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively sale of the Kirkalocka Plant). Refer Note 15.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

19. Financial Instruments (continued)

(g) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings and unsecured convertible notes. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating fund raisings as required.

20. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into a commercial lease for its office premises and office equipment. Future minimum payments under these contracts as at 30 June are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Within one year	88,682	97,298
After one year but not more than five years	-	96,790
Total minimum contract payments	88,682	194,088

Mineral exploration commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	Consolidated	
	2014	**2013**
	$	**$**
Within one year	789,800	455,939

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. Tenements comprising the Jumbulyer Project are subject to a farm-in and joint venture agreement with a third party, under the terms of which the third party is responsible for sole funding expenditure at this stage including minimum expenditure commitments of $239,380 (not included in the amount stated above).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

20. Commitments and contingencies (continued)

Kirkalocka Project – Royalty Commitments and Rehabilitation Contingent Liability

Pursuant to agreements relating to the acquisition of the Kirkalocka project a third party has a right to purchase a 50% interest in the Kirkalocka project (based on the net present value of the project) should the total JORC mining reserve exceed 750,000 ounces of gold. The third party also has an entitlement to a royalty on fine gold produced at Kirkalocka of $20 per ounce for the first 200,000 ounces produced, and $15 per ounce thereafter.

In addition to the current provision for rehabilitation (refer note 15), the Company may also be required to rehabilitate the Kirkalocka airstrip on cessation of all site activities, if regulatory authorities determine the airstrip is not required for district access and infrastructure purposes. The cost of this contingent liability is estimated at $400,000.

21. Key Management Personnel Compensation and Related Party Disclosures

Refer to the remuneration report contained in the Directors' report for details of remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Short-term employee benefits	222,330	533,843
Post-employment benefits	8,585	39,055
Share-based payments	-	100,042
Total KMP compensation	230,915	672,940

Transactions with related entities

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

A fee of $50,000 (included in finance costs) was paid to Capital Investment Partners Pty, an entity in which Mr Pismiris is a director, for facilitating the renegotiation of terms in relation to convertible notes including the redemption date.

Company secretarial and accounting fees of $72,436 (2013:$61,403 company secretarial services only) have been paid or are payable to Corporate Consultants Pty Ltd, a firm in which Mr Shah and Mr Flint are stakeholders.

Legal services fees of $20,931 (2013:$310,879) have been paid or are payable to Bennett + Co (a firm in which Mr Chenu has a financial interest).

Outstanding balances due to related parties at year-end with respect to the above transactions were $13,483 (2013:$24,419).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014 (continued)

21. Key Management Personnel Compensation and Related Party Disclosures (continued)

Details of the controlled entity

The consolidated financial statements include the financial statements of Mount Magnet South NL and the subsidiary Mount Magnet Iron Pty Ltd (previously Airborne Geoscience Exploration Pty Ltd), a Company incorporated in Australia. Mount Magnet South NL owns 100% of the issued ordinary shares in Mount Magnet Iron Pty Ltd (2013: 100%).

22. Parent entity disclosures

As the subsidiary referred to above is a dormant entity that has no assets or liabilities, the Parent entity disclosures are identical to the Group's disclosures in the Statement of Financial Position and the Statement of Comprehensive Income.

23. Events Subsequent to Reporting Date

Since the end of the financial year and to the date of this report no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than the matter referred to below.

The Company has announced plans to place up to 140,000,000 ordinary shares at an issue price of $0.0015 with one (1) attaching option issued for no additional consideration for every two (2) new shares subscribed ("Placement"). The attaching options will be exercisable at $0.006 with a 31 December 2018 expiry. 80,000,000 Placement shares have since been issued to raise $120,000, with the issue of the remaining 60,000,000 Placement shares and 70,000,000 attaching options subject to shareholder approval at a meeting to be held on 21 October 2014.

In addition to the Placement the Company also announced plans for a pro rata non-renounceable entitlement offer of shares and options to eligible shareholders ("Offer"). This offer to shareholders will be on the basis of one (1) new share offered for every share held at an issue price of 0.15 cents ($0.0015) per new share, and one (1) attaching option issued for no additional consideration for every two new shares subscribed for by shareholders. Subject to completion, the offer will raise approximately $927,000 before costs.

24. Segment Information

During the year, the Group operated predominately in the one business and geographical segment being the mineral exploration sector in Western Australia. Accordingly only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

DIRECTORS' DECLARATION

1. In the opinion of the Directors:

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

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

      ii. complying with Accounting Standards and Corporations Regulations 2001; and

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

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

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

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

Alec Pismiris
Chairman
Dated this 30 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Mount Magnet South NL

Report on the Financial Report

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Mount Magnet South 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial report which indicates that the Company will be required to raise additional funding to enable it to continue as a going concern. If the Company does not obtain sufficient funding through the available avenues mentioned, it could potentially raise a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

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

Auditor's opinion

In our opinion the remuneration report of Mount Magnet South NL for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

W M Clark
Partner

Perth, Western Australia
30 September 2014

CORPORATE GOVERNANCE STATEMENT

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

COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

	Recommendation	Mount Magnet South NL Current Practice
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.mountmagnet.com.au in the Corporate Governance Statement.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.mountmagnet.com.au in the Corporate Governance Statement.
2.1	A majority of the board should be independent directors.	Not satisfied Mr Pismiris is classed as independent under ASX guidelines (as were Mr Gillard and Mr Chenu until their resignation and retirement respectively). Mr Pitt and Mr Flint assumed certain executive responsibilities up to September 2012, and therefore are not considered to be independent directors. The Board considers that given the size and nature of the Company the current structure of the Board is appropriate.
2.2	The chair should be an independent director.	Satisfied.
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Satisfied.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	Recommendation	Mount Magnet South NL Current Practice
2.4	The board should establish a nomination committee.	Not satisfied. The Board consider that given the current size of the Board, this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.mountmagnet.com.au in the Corporate Governance Statement.
3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: The practices necessary to maintain confidence in the Company's integrity. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of conduct is available at www.mountmagnet.com.au in the Corporate Governance Statement.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Trading Policy is available at www.mountmagnet.com.au in the Corporate Governance statement.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	Recommendation	Mount Magnet South NL Current Practice
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.	Satisfied. The company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to the development of a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	At 30 June 2014 the Company had 6 staff, of which 2 were women. There are no women in senior executive positions or on the board.
4.1	The board should establish an audit committee.	Satisfied. As noted elsewhere in this Report, the audit committee was disbanded during the year as a result of Board changes and the size of the Board reducing to three. This function is now undertaken by the full Board.
4.2	The audit committee should be structured so that it: Consists only of non-executive directors Consists of a majority of independent directors Is chaired by an independent chair, who is not chair of the board Has at least three members	Not satisfied. Refer to 4.1 above.
4.3	The audit committee should have a formal charter.	Satisfied. Audit Committee charter is available at www.mountmagnet.com.au in the Corporate Governance statement.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	Recommendation	Mount Magnet South NL Current Practice
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.mountmagnet.com.au in the Corporate Governance statement.
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication strategy is available at www.mountmagnet.com.au in the Corporate Governance statement.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management program is available at www.mountmagnet.com.au in the Corporate Governance statement.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Satisfied. The Board routinely consider risk management matters.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	Recommendation	Mount Magnet South NL Current Practice
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to the 2014 financial period.
8.1	The board should establish a remuneration committee.	Satisfied. As noted elsewhere in this Report, the remuneration committee was disbanded during the year as a result of Board changes and the size of the Board reducing to three. This function is now undertaken by the full Board.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of Directors' remuneration is disclosed in the remuneration report of the annual report.

Further information about the Company's corporate governance practices is set out on the Company's website at www.mountmagnet.com.au/corporategovernance

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Mount Magnet South NL are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Structure of the Board (continued)

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Mount Magnet South NL are considered to be independent:

Alec Pismiris	Non-executive chairman

Mr Reg Gillard, the former Chairman and Mr Colin Chenu, the former non-executive director who served on the Board for part of the financial year were both considered to be independent. Mr Pitt and Mr Flint ceased their part-time executive roles in September 2012 and have been acting as non-executive directors since then. They would be considered independent directors were it not for their limited duration engagement as part-time executives.

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the Company's expense.

Audit & Risk Committee

The Board had previously established an Audit & Risk Committee, which operated under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board had delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit & Risk Committee. The Committee also provided the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit & Risk Committee comprised Colin Chenu (Chairman), Alec Pismiris and Patrick Flint. Upon Mr Chenu's retirement in November 2013, the Audit & Risk Committee was disbanded. The size of the Board has reduced to three and the Board as a whole deals with the matters previously dealt with by the Committee.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share the success of Mount Magnet South NL.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

An extract of the Company's register of substantial shareholders is set out below:

	Number of fully paid ordinary shares
Gavin John Argyle	37,975,632

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

DISTRIBUTION OF SHAREHOLDERS (as at 25 September 2014)

Range	Total Holders	Units	% Issued Capital
1 - 1,000	66	9,761	0.00
1,001 - 5,000	59	184,507	0.03
5,001 - 10,000	111	948,687	0.15
10,001 - 100,000	500	21,129,017	3.42
100,001 - 9,999,999,999	419	595,748,844	96.40
Total	**1,155**	**618,020,816**	**100**

There were 826 shareholders holding less than a marketable parcel at 25 September 2014.

There is no current on-market buy back taking place.

During the reporting year the Company used its cash and assets in a manner consistent with its business objectives.

Unquoted equity securities

Class	Number
Performance Rights	8,100,000

TWENTY LARGEST SHAREHOLDERS (as at 25 September 2014)

	HOLDER NAME	NUMBER HELD	PERCENTAGE
1	UBS WEALTH MANAGEMENT AUST NOMINEES	79,304,240	12.83
2	ZERO NOMINEES PTY LTD	39,069,361	6.32
3	GARY JOHNSON SUPER MGNT PTY LTD	31,177,308	5.04
4	GAB SUPERFUND PTY LTD	25,946,512	4.20
5	REDIMA PTY LTD	25,202,224	4.08
6	CASSIM SALIM	16,876,975	2.73
7	FENNELL G J & C A (GEMICA S/F A/C)	13,333,333	2.16
8	MACQUARIE BANK LTD (METALS & ENERGY CA)	12,278,332	1.99
9	LOGUE GLYNN	8,675,856	1.40
10	T DAVIES SUPER PTY LTD (DAVIES FAMILY /F A/C)	8,207,990	1.33
11	WANKGAR YAN P & SOPANDI Y	7,964,336	1.29
12	LOOBY ROBERT GREGORY (FAMILY ACCOUNT)	7,000,000	1.13
13	ZIMBALI NOMINEES PTY LTD (ZIMBALI FAMILY A/C)	6,666,667	1.08
14	JOMIMA PTY LTD	6,666,667	1.08
15	CAP INV PARTNERS PTY LTD	6,511,201	1.05
16	RISING FAST HOLDINGS PTY LTD (TOUT FAMILY A/C)	5,500,000	0.89
17	ELLAZ PTY LTD (RIPPER FAMILY A/C)	5,500,000	0.89
18	NATIONAL NOMINEES LTD	5,251,832	0.85
19	T DAVIES SUPER PTY LTD	5,214,808	0.84
20	SANWELL PTY LTD	5,000,000	0.81
		321,347,642	**51.99**

Mining Tenements held at 25 September 2014

All tenements are in the Mt Magnet region of Western Australia. Mount Magnet South NL has 100% ownership of all tenements, unless indicated otherwise.

Location	Tenement ID	Note	Location	Tenement ID	Note
Kirkalocka	P 59/1960		Jumbulyer	P 58/1288[!]	2
Jumbulyer	P58/1607		Jumbulyer	P 58/1285[#]	2
Jumbulyer	P58/1606		Jumbulyer	P 58/1281	2
Jumbulyer	P58/1605		Kirkalocka	M 59/261	
Jumbulyer West	P 58/1604	2	Kirkalocka	M 59/234	
Jumbulyer West	P 58/1603	2	Kirkalocka	M 59/233	
Jumbulyer West	P 58/1602	2	Kirkalocka	M 59/232	
Jumbulyer West	P 58/1601	2	Jumbulyer	M 58/336	2
Jumbulyer West	P 58/1600	2	Jumbulyer	M 58/214	2
Jumbulyer West	P 58/1599	2	Jumbulyer	M 58/183	2
Jumbulyer	P 58/1598	2	Jumbulyer	M 58/61	2
Jumbulyer	P 58/1597	2	Kirkalocka	L 59/127	
Jumbulyer	P 58/1596	2	Kirkalocka	E 59/1962	
Jumbulyer	P 58/1595	2	Kirkalocka	E 59/1960	
Jumbulyer	P 58/1594	2	Jumbulyer	E 59/1933	2
Jumbulyer	P 58/1593	2	Kirkalocka	E 59/1881	
Jumbulyer	P 58/1592	2	Kirkalocka	E 59/1778	
Jumbulyer	P 58/1591	2	Kirkalocka	E 59/1776	
Jumbulyer	P 58/1590	2	Kirkalocka	E 59/1775	
Jumbulyer	P 58/1503	2	Kirkalocka	E 59/1555	
Mount Magnet	P 58/1351	2	Kirkalocka	E 59/1361	1
Jumbulyer	P 58/1349	2	Kirkalocka	E 59/1343	
Jumbulyer	P 58/1348	2	Kirkalocka	E 59/1342	
Mount Magnet	P 58/1346	2	Kirkalocka	E 59/1250	
Mount Magnet	P 58/1326[*]	2	Jumbulyer	E 58/441	2
Mount Magnet	E 58/285	2			

Notes

[*]. P58/1326 currently being converted to P58/1621

[!]. P58/1288 currently being converted to P58/1651

[#]. P58/1285 currently being converted to P58/1623

1. Five (5) year extension of term on Exploration licence E59/1361
2. These tenements are the subject of the Farm-In & Joint Venture Agreement with Australian Mines Limited (AUZ), which was entered into during the March 2014 quarter.