Australian Mines Limited

ABN 68 073 914 191

Exploring Nigerian Schist Belts

Annual Report 2011

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Michael Ramsden

Neil Warburton

Mick Elias

Brett Young

Dominic Marinelli

Sally Grice

CORPORATE DIRECTORY

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	Neil Warburton	Non-executive
	Mick Elias	Non-executive
	Brett Young	Non-executive
	Dominic Marinelli	Executive

Company Secretary

Sally Grice

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Australian Mines Limited
ABN 68 073 914 191

CHAIRMAN'S LETTER

Dear Shareholder,

It is my pleasure to present you with the Annual Report for the financial year to 30 June 2011.

During the year, Australian Mines Limited adopted the strategy of selling its Australian assets and focusing on exploration opportunities in West Africa, a region that the Company believes demonstrates the potential for multi-million ounce gold and significant base metal discoveries. In addition, the Company will continue to actively assess resource exploration and production opportunities in other geographical locations that we believe will enhance shareholder value.
Over the last year the Company has made significant progress in advancing this strategy, including:

- A capital raising undertaken in January to sophisticated investors totalling $1.1M
- The acquisition of Nigeria Gold Pty Ltd ('Nigeria Gold')
- Restructuring the board and important additions to personnel
- The sale of Mt Martin for $7.5M

Post year end, the Company entered an agreement for the sale of the Mt Martin gold mine and its associated leases for $7.5M. Mt Martin is to be acquired by HBJ Minerals Pty Ltd, a wholly owned subsidiary of the Alacer Group (ASX: AGQ, TSX: ASR). The sale proceeds are to provide funding for Australian Mines' exploration programme in Nigeria over the coming years as the Company becomes more West African focused. The Company continues its marketing of the remaining Australian assets with a number of parties expressing interest in acquiring the Golden Ridge project and associated joint venture.

In order to deliver our strategy, the Company has instigated significant Board and personnel changes, including:

- Post year end we announced the appointment of Benjamin Bell as Chief Executive Officer. While Mr Bell was CEO of ASX listed Ausgold Limited, the Katanning gold discovery in WA was identified, moving the company's share price from 0.14 to a high of $1.79 within one year. Mr Bell's track record at Ausgold underlines his strong leadership and geological capabilities, transforming a newly listed company into one of the ASX's most exciting stocks, a success we hope to replicate at Australian Mines with Ben leading our team.

- Neil Warburton relinquished his position as Non-Executive Chairman to focus on other professional interests but still remains actively involved on the Board. I speak on behalf of the Company and its shareholders in thanking Mr Warburton for his significant contribution and dedication throughout his six years as Chairman of AUZ.

- In June we appointed Jeremy Rickards as In-Country General Manager of Exploration. He assumed control of the Company's highly prospective tenement package shortly after appointment, utilising his 30 plus years' experience in gold, base metal and diamond exploration skills. Jeremy's most pressing task will be to identify a timeline of progression for high priority drill targets within our existing land holdings. It is anticipated a drill programme will commence Q2 2012, where the Company plans to conduct a 5,000 metre drill programme consisting of between 30 to 50 holes across the best identified targets.

- Mr Brett Young stepped down from his executive capacity and became a non-executive director. I speak on behalf of the Company and its shareholders in thanking Mr Young for his significant contribution and dedication throughout his seven years as an executive at the Company.

- Dominic Marinelli was appointed to the Board. Mr Marinelli was a founding director of Nigeria Gold and has over 20 years of corporate fundraising experience covering a wide range of industries including resources (including Nigeria) and other emerging technologies.

The catalyst for the significant changes over the last year was the acquisition of Nigeria Gold Pty Ltd. The Company is now directing its efforts to concentrate on the highly mineralised Nigerian Schist Belts. Through Nigeria Gold, the Company now holds an extensive tenement portfolio of Exploration Licences covering 2,774 km^2 of prospective gold areas on and adjoining the schist belts in northwest Nigeria. The Company also holds a further 12 Exploration Licence Applications covering an area of 1,026 km^2.

I wish to thank you, our shareholders, for your continued support during this transitional period and I look forward to presenting you with further positive news as our Company activities progress on the ground in the exciting West African nation that is Nigeria.
Yours sincerely,

Michael Ramsden
Chairman

REPORT ON EXPLORATION PROJECTS

Australian Mines ('AUZ' or 'the Company') is an Australian listed exploration company targeting gold, nickel and other base metals. AUZ's key exploration assets include the Nigeria Gold Project in West Africa, the Golden Ridge tenement block near Kalgoorlie in Western Australia, as well as the Marriott's nickel project near Leinster, also in WA.

On 30 September 2011, AUZ entered into a formal tenement purchase agreement to sell its Mt Martin Gold Mine and associated tenements for $7.5M to HBJ Minerals Pty Ltd, a wholly owned subsidiary of TSX and ASX listed Alacer Gold Corp. The payment terms and conditions of this agreement are detailed in section 7 of the Directors Report.

THE NIGERIA GOLD PROJECT

AUZ holds an extensive tenement portfolio of 53 approved Exploration Licences ('ELs') spanning 2,774 km^2, covering prospective gold areas on and adjoining the schist belts in northwest Nigeria, including the Anka, Maru and Birnin Gwari belts (Figure 1). The Company holds a further 12 Exploration Licence Applications ('ELAs') covering an area of 1,026 km^2.

AUZ took control of the Nigeria Gold Project on 9 March 2011 and immediately commenced its activities on the ground with reconnaissance mapping. Following the appointment of Jeremy Richards as full time Nigerian Country Exploration Manager in June 2011, the exploration program has been considerably ramped up.

AUZ is actively exploring the project tenements for gold and base metals, focusing predominantly on the three main areas of interest - the Anka, Birnin-Gwari, and the Yauri regions (Figure 1).

As detailed below, the tenement package in Nigeria is vast and covers many areas demonstrating potential for gold mineralisation. Activities carried out to date are detailed below and it is the Company's intention moving into 2012, to consolidate all results and target key areas that demonstrate the most prospectivity.

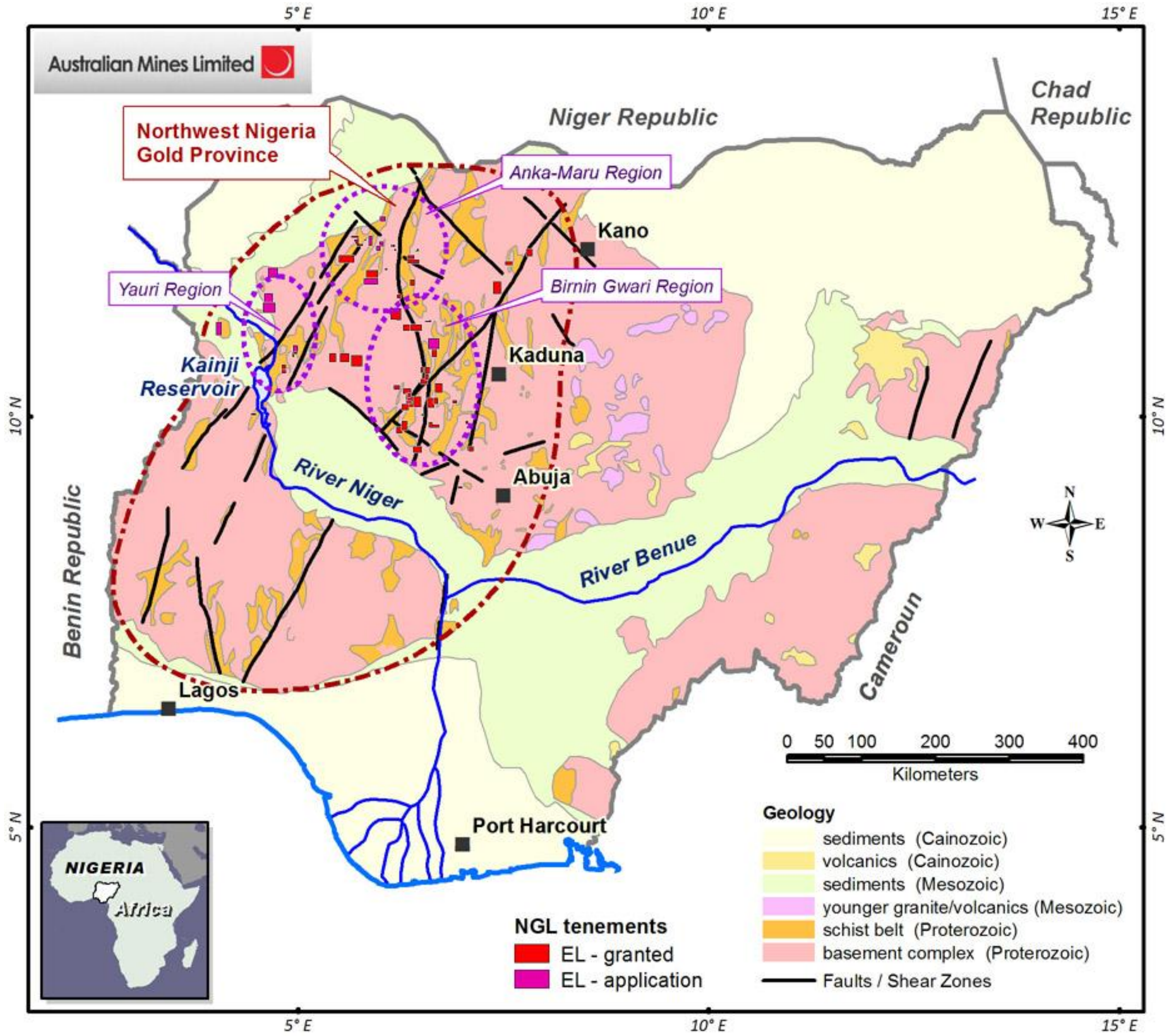

Figure 1 *– Simplified Nigerian Geology Map overlain by the Company's Nigeria Gold Project Tenements*

MINING IN NIGERIA

The Nigerian mining sector has recently witnessed higher levels of activity following reform programs that have been undertaken in areas of policy, institutions and the legal framework that are intended to bring Nigeria into line with global best practice.

History of Gold in Nigeria

The regional setting in Nigeria is very similar to the Ashanti and Sefwi systems in nearby Ghana, with gold being found in alluvial and eluvial placers and primary veins from several parts of supracrustal (schist) belts in the northwest and southwest.

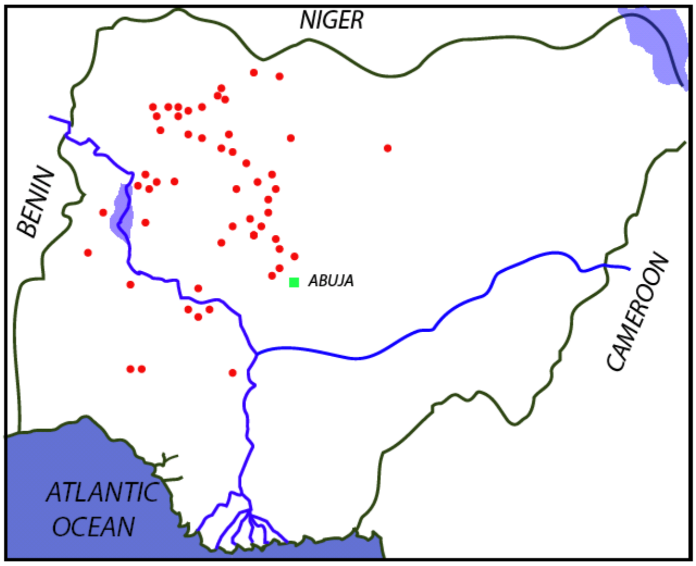

Figure 2 *- Areas of gold occurrences in Nigeria detailed in red*

As a result of very little systematic exploration and development to date, the Nigerian goldfields have experienced intense artisanal workings which target both the primary gold-quartz reefs and their associated alluvial occurrences. Many of these artisanal workings are reported to contain significant quantities of metallic platinum.

Officially recorded gold production in Nigeria commenced around 1913 and was at its highest peak between 1933-1943 when about 1.4 tonnes of gold was produced. Gold production declined during the Second World War, as most of the abandoned mines were operated by colonial companies, and the sector has never fully recovered.

ANKA - MARU REGION

Anka is located approximately seven hours drive north of the federal capital of Abuja. AUZ's 13 ELs in the Anka-Maru region cover 502 km^2 and the 6 ELAs extend over a further 290km^2. The Company considers the Anka-Maru region to be its highest priority for exploration, as it contains several historic British gold mines, which were mined circa 1930's, which demonstrate significant potential.

KASELE LICENCE (EL 9447)

Since being granted the Kasele tenement in May 2011, the Company has undertaken significant work on the ground including detailed interpretation of aeromagnetic and satellite imagery, completed the Kasele soil grid, commenced a new soil grid at Baruba and undertaken mapping.

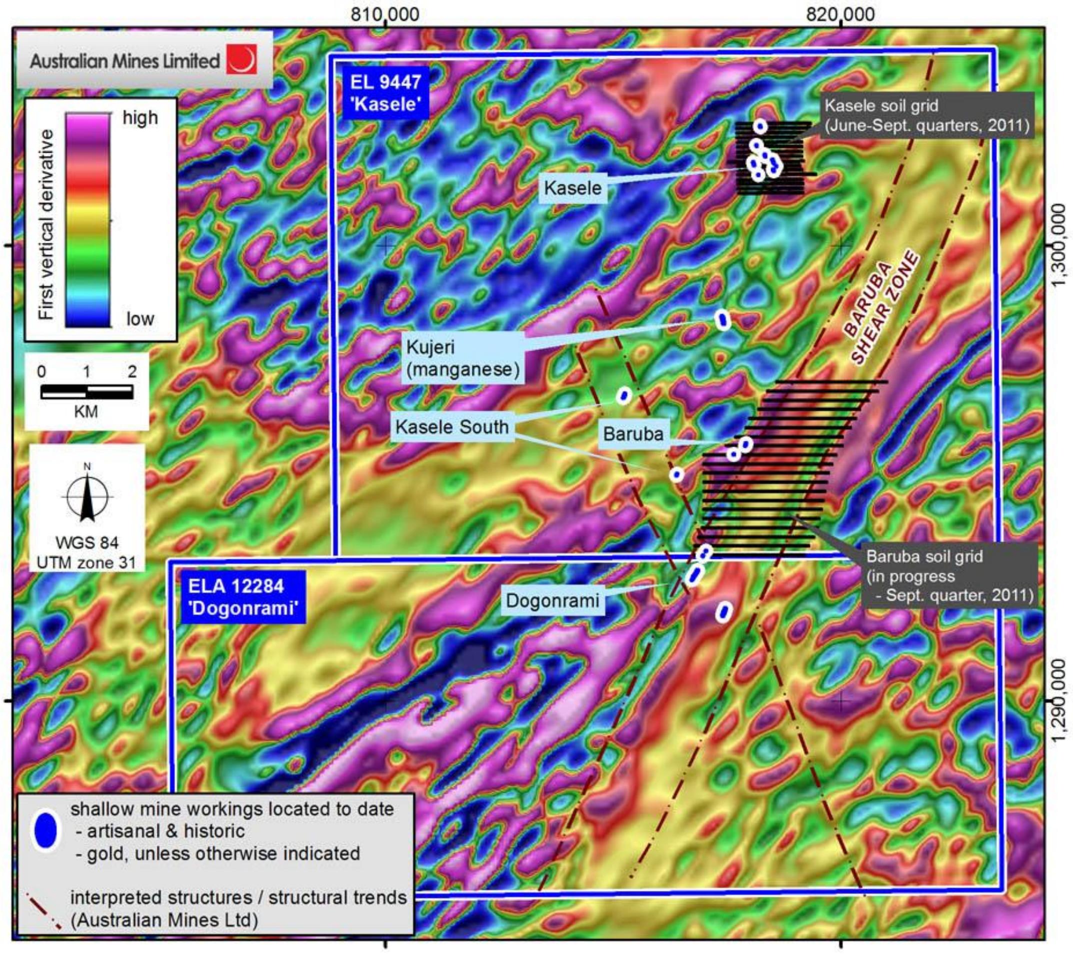

***Figure 3** – Aeromagnetic (1VD) Map of Kasele Licence and Dogonrami Licence Application showing structures, soil grids, and artisanal workings.*

Interpretation of Airborne Data

Interpretation of the aeromagnetic and satellite imagery indicates two main structures - a shear zone that trends at about 020 (Baruba shear zone) which contains the Baruba and Dogonrami workings. The second structure trends 340 and the two Kasele south workings occur on this structure.

Kasele soil grid

Soil samples at Kasele were taken at 20m intervals on east-west lines on a north-south line spacing of 100m. A total of 1,120 samples were taken covering an area of approximately 1.5 × 1.5km. Of these, 16 samples returned impressive values of over 100 ppb Au, **ranging from 106 to 1420 ppb Au.**

Significant results from rock chip sampling undertaken on the grid are shown in Figure 3, the best 19 samples demonstrating values above 1 g/t ranging from **1.17 to 138.66 g/t**, with the majority of these values from quartz veins. However both the highest and lowest values were from silicified and brecciated wall rock schist.

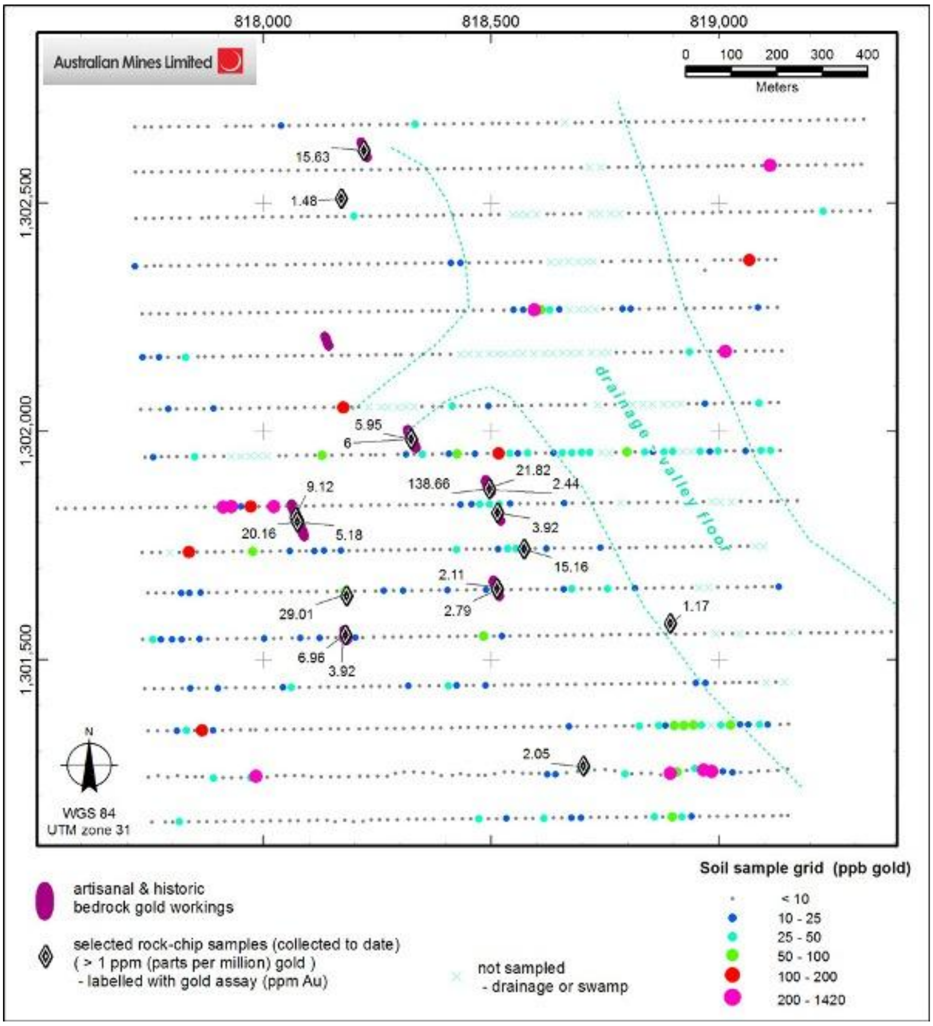

Figure 4 – *Kasele sampling grid showing soil samples (ppb Au) and also highlighting selected rock chip samples (ppm Au)*

Baruba Soil Grid

The Baruba soil grid is located in the south east of the permit and overlies the Baruba shear zone (Figure 3). Samples are currently being taken at 40m intervals on east-west lines at a spacing of 200m. To date, 894 samples covering 2.6 km x 2.5 km area have been taken and the Company is currently awaiting results.

Licence Mapping

Mapping of the licence located a number of new mineral occurrences including a manganese working and six gold workings outlined below:

Working Name	Description	Sample Results
Kujeri Manganese working	A 20m deep, 200m by 30m open pit mine that is located in the centre of the licence (Figure 3). There is evidence that a backhoe was used to dig this excavation which previously was an illegal but commercial manganese operation.	
Baruba working 1	This 20m long working trends at 020 and is located in the Baruba soil grid.	**0.21 g/t** from quartz vein and **0.51g/t** from wall rock schist.
Baruba working 2	This 60m long working trends at 020 and is located within the Baruba soil grid	**6.94 g/t** in quartz vein and **2.87g/t** in wall rock schist.
Kasele South working 1	A 110m long oval working, with mineralisation occurring in pods of white quartz vein at an intersection of 020 and 340 trending structures.	**0.51 g/t** from quartz vein and **0.54 g/t from** iron (Fe) rich schist.
Kasele South working 2	This is a 40m long working; the mineralisation occurs in a pod of white quartz vein that is trending at 020 and dipping 70E.	**0.42 g/t** from Fe rich schist and **2.27 g/t from** quartz vein.
Dogonrami North working 1	40m long working trending at 020, is located in the Baruba shear zone.	**17.20 g/t**
Dogonrami North working 2	This 20m long working trends at 020 is also located in the Baruba shear zone	A sample of ferruginous schist from the working returned **168.00 g/t.**

Photo 1 – *Dogonrami North working 2*

Future Developments

The Baruba soil grid will be extended north to cover the remainder of the shear zone, and a new grid will be established over the 340-trending structure that contains the Kasele South 1 & 2 workings.

DOGONRAMI LICENCE APPLICATION (ELA 12284)

During mapping in the Kasele area, AUZ identified two artisanal workings just outside the southern boundary of the licence in an area known as Dogonrami. Due to Dogonrami being located within the southern extension of the Baruba shear zone and the favourable structures demonstrated in the aeromagnetics, the Company applied for the EL covering this area in August.

Working Name	Description
Dogonrami Main working	This working is along strike from Dogonrami 1 and 2. The combined strike of the three Dogonrami workings is 650m, the working is currently 268m long and about 8m deep. Due to safety reasons, it has not been possible to sample this working to date but the extent of the working suggests the potential for high grade mineralisation.
British workings	This working is located about 1 km southeast of Dogonrami Main. The working is also in the shear zone and is reputed to have been worked by the British in colonial times. The working is 110m long and consists of five 2m wide parallel stopes over a width of about 40m that trend at 020. Quartz vein and sheared meta-sediment were mined.

YARGARMA LICENCE (EL 8732)

The Yargarma licence was granted in April 2011 and a review of the geophysical and satellite maps indicates that this tenement has excellent potential due to two branches of the prolific Anka schist belt passing through the licence.

During reconnaissance mapping, artisanal workings were located and sampled. It is important to note that only a very small part of licence was covered by this preliminary mapping and that a large part of the licence is underlain by schist belt rocks, demonstrating significant upside.
The artisanal workings located to date are grouped in two areas - Dogondagi in the northeast and Yargarma in the west.

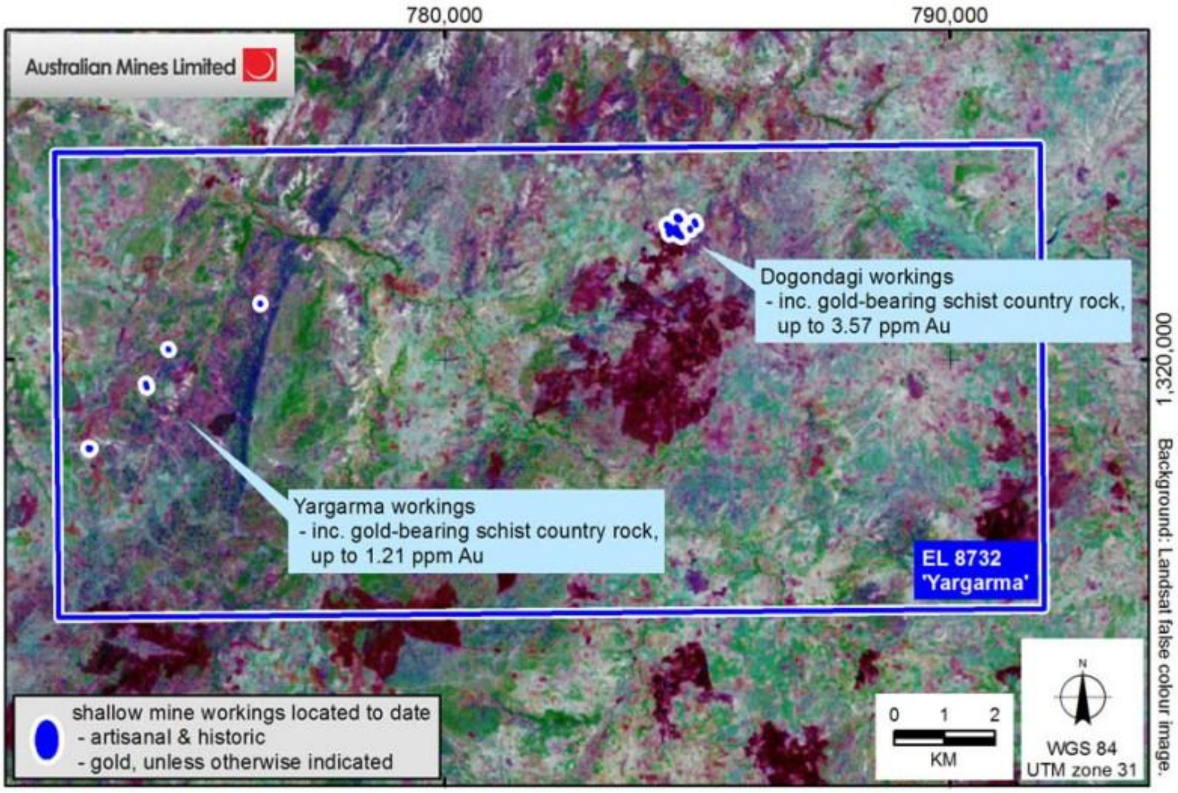

Figure 5 *– Satellite Image of Yargarma Licence showing location of artisanal workings*

Dogondagi Area Workings

This is an area of workings covering approximately 400m by 400m. There are five parallel zones of hard rock workings ranging in length from 50m to 360m and striking at 340 with a separation of approximately 100m between them. There is a sixth zone of colluvial workings to the northwest of the hard rock workings. The hard rock workings are described from east to west below:

Working Name	Description	Sample Results
Dogondagi 1	This 100m long active working trends at 340 and dips 70E. The 3m deep working is on a quartz vein within country rock of black quartzite that sometimes contains pyrite.	**0.62g/t** in quartz vein and 0.08 g/t in pyritic quartzite.
Dogondagi 2	This is a 50m long and 4m deep active working that trends at 340 and dips 70E.	**0.62 g/t** in brecciated schist country rock and **5.13 g/t** in banded grey and pink quartz.
Dogondagi 3	This 110m long and 4m deep abandoned working trends at 340 and dips 70E. The working is on a quartz vein within country rock of basalt.	**0.41 g/t** from banded quartz in the dump.
Dogondagi 4	This is a 360m long NW-SE trending continuous zone of workings on en echelon quartz veins in basalt that strike 340 and dip 80W. The workings were abandoned at a depth of 4 – 6m due to caving and/or water issues; therefore only the waste dumps could be sampled.	Samples of quartz vein from the dump gave **0.26 g/t** and **0.84 g/t,** and the Company suspects that due to the size of the workings, the

		actual mined grades are higher.
Dogondagi 5	This 80m long and 4m deep abandoned working trends at 340 and dips 70W, and is on a quartz vein within country rock of silicified schist.	**0.16 g/t** in quartz vein and **1.21 g/t** silicified schist country rock.
Dogondagi Colluvial Workings	This area of colluvial workings is to the NW of Dogondagi 4 and is about 100m long and 50m wide and possibly overlies an extension of the Dogondagi 4 bedrock mineralisation.	Samples of quartz vein rubble gave **1.39 g/t** and **0.51 g/t**

Yargarma Area Workings

The Yargarma workings cover an area approximately 3km by 2km in the western part of the licence and includes the five small workings identified to date with dimensions of 30m to 100m.

Working Name	Description	Sample Results
Yargarma 1	This 30m long working trends at 340 and is on a quartz vein in schist	A sample of glassy white quartz vein gave **1.37g/t.**
Yargarma 2	This 100m long working trends at 340. A 15m deep shaft has been excavated to access the quartz vein in schist that is being mined	A sample of glassy white quartz vein gave **3.36 g/t.**
Yargarma 3	This 60m long working trends at 340 and is on a quartz vein in schist.	Samples from this working returned **1.43 g/t, 1.43g/t** and **0.39 g/t** from quartz vein.
Yargarma 4	This 60m long working trends at 340 and is on a series of en echelon quartz veins in a silicified and brecciated schist.	Samples from this working returned 0.**51 g/t** in quartz vein and **3.57g/t** in silicified and brecciated schist.
Yargarma 5	This 40m long working trends at 270 and is on a quartz vein in schist	Sample of quartz vein in schist **9.83 g/t**

Of geological interest is the Dogondagi 2 and Yargarma 4 samples of auriferous brecciated schist country rock with assays of 0.62 g/t and 3.57g/t respectively, and the Dogondagi 5 silicified schist country rock which gave 1.21 g/t. These results increase the potential of the area as they demonstrate that gold mineralisation is not limited to the quartz veins.

Future Developments

It is proposed that soil sampling will be undertaken over the Dogondagi and Yargarma areas after the wet season rains finish in October 2011. The remainder of the licence will be mapped.

DAMSARALAN LICENCE (EL 9451)

Since the Damsaralan licence was granted in June 2011, AUZ has conducted two reconnaissance trips. A borrow pit next to the main road was investigated and boulders of magnetite gneiss were observed. Samples of these returned some very high Fe assays ranging up to 57.5%:

Sample	Description	Sample Results
NGR 333	Centimetre-scale iron veinlets were selectively sampled	55% Fe
NGR 334	Gossanous lateritised float within a very intense shear/alteration zone	57.5% Fe and 0.06% copper
NGR 335 & 336	Bedrock samples from small pits, and could therefore represent greater width	52 & 30% Fe
NGR 337	A 2m wide sample from solid magnetite bedrock	The most significant result was 42.4% Fe

The location of the samples was within an intense magnetic anomaly approximately 2km in diameter. The presence of very intense shearing and hydrothermal alteration of the bedrock, high-grade magnetite mineralisation, and associated anomalous copper mineralisation, in the vicinity of such a magnetic anomaly suggests that this is a significant target for a follow-up exploration.

Old workings, of 200m by 50m were located west of the sampled area. They are most likely iron workings as >50-year-old smelting sites with iron slag were also found.

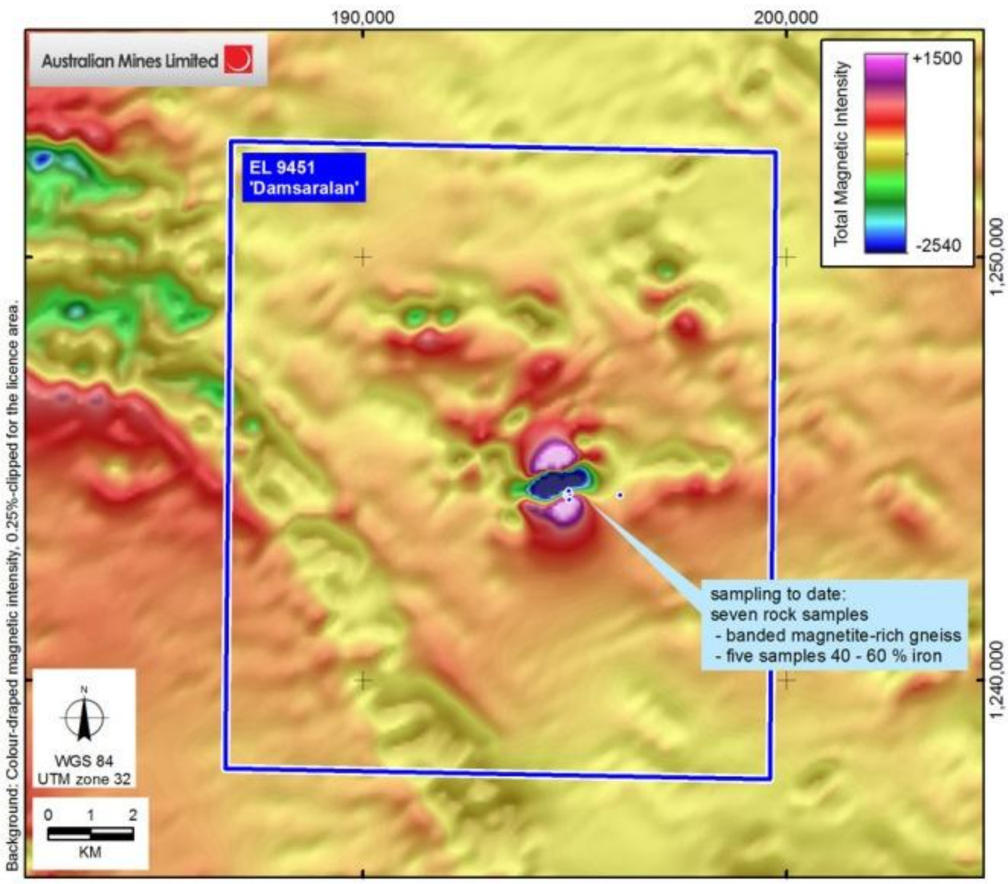

Figure 6 – *Aeromagnetic Map of Damsaralan Licence showing location of Iron mineralisation*

BIRNIN – GWARI REGION

The Birnin – Gwari region is located three to five hours drive north of Abuja. AUZ's 28 ELs in the region cover 1,517 km². The Company has undertaken reconnaissance work in the Kagara area. The main areas of interest are listed below.

KAGARA AREA

There is no history of artisanal gold mining in this area. However limited reconnaissance work carried out by AUZ indicates that the area demonstrates high potential for gold mineralisation.

Reconnaissance work was undertaken on seven exploration licences in this area during the year: Makeri (EL 8586), Guga (EL 9629), Hanawanka (EL 8591), Ogu (EL 8585), Sakaba (EL 8743), Zungeru (EL 9013) and Lua (EL 9014). Interpretation of airborne data, including aeromagnetics, radiometrics and satellite imagery, from this area indicates that the radiometrics clearly distinguish areas of schist belts from granitic areas.

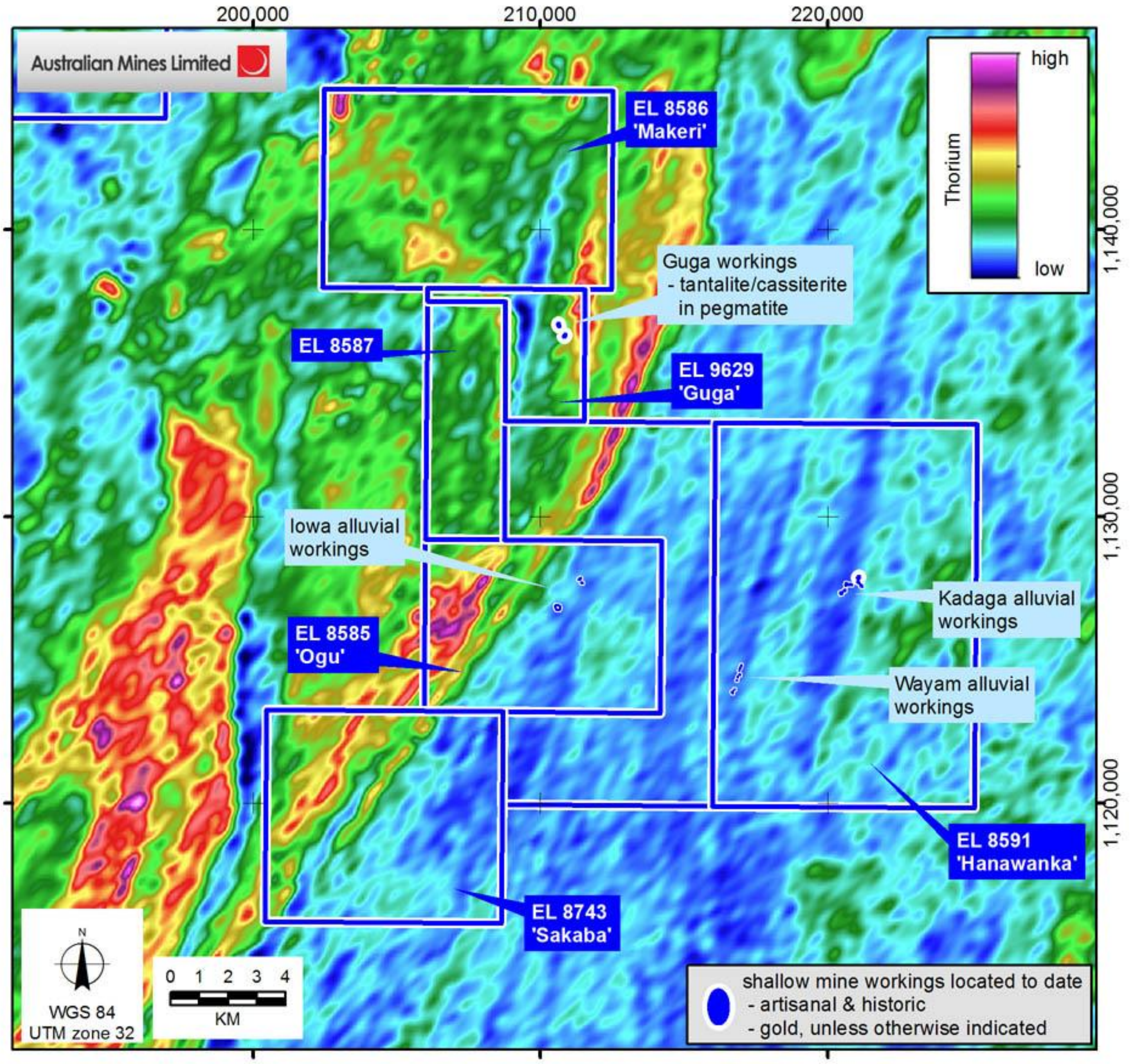

***Figure 8** – Radiometric Map (Thorium) of Kagara Area showing location of alluvial workings. Schist belt meta-sediments have low-level response (blue) and granites have high thorium (red and green)*

MAKERI LICENCE (EL 8586)

A short traverse was made over this licence and examination of the radiometrics indicates that the majority of this licence is underlain by granite. However there is possibly of a small inlier of schist present in the east of the licence.

GUGA LICENCE (EL 9629)

Three small artisanal workings were located on this permit - two for tantalite and one for cassiterite as follows.

Working Name	Description
Guga 1	This working is 80m long and 2-4m deep, striking at 340. A tantalite-bearing quartz-feldspar-muscovite pegmatite intruded into granite is currently being mined.
Guga 2	This working is 20m long and about 2-4m deep striking at 340. A similar pegmatite to Guga 1 intruded into granite is also being mined.
Guga 3	This working contains a small number of pits where rubble of cassiterite-bearing quartz-feldspar-muscovite pegmatite has been found.

HANAWANKA LICENCE (EL 8591)

The licence is underlain by schist belt meta-sediments and small-scale alluvial workings were discovered in two areas - Kadaga and Wayam. The Company believes that the size of some of the streams (less than 2m wide) could indicate a local source for the primary gold.

An area of small hard rock workings in iron-rich biotite schists was also discovered at Kadaga. It is believed that local artisanal miners have recovered gold from these workings. AUZ is still awaiting results from sampling in this area.

Photo 2 *– Alluvial working in small stream at Ogu*

OGU LICENCE (EL 8585)

This licence is underlain by granites in the north-west and schist belt meta-sediments in the south-east. A number of alluvial gold workings were discovered in the area north of Ogu village. The largest working is located on the main Iowa River and the source of the gold could be distant.

There are also workings in small tributaries of the Iowa and the size of these streams (1 – 2m wide) suggests a localised source for the primary gold.

YAURI REGION

The Yauri region is located 5 hours drive northwest of Abuja. AUZ's four ELs in the region cover 78 km^2, with three ELA's covering a further 450 km^2. Reconnaisance has been carried out on the following three ELs: - Laka (EL 1033), Izalo (EL 1127) and Isana (EL s8582). The results from the main tenements of interest are highlighted below.

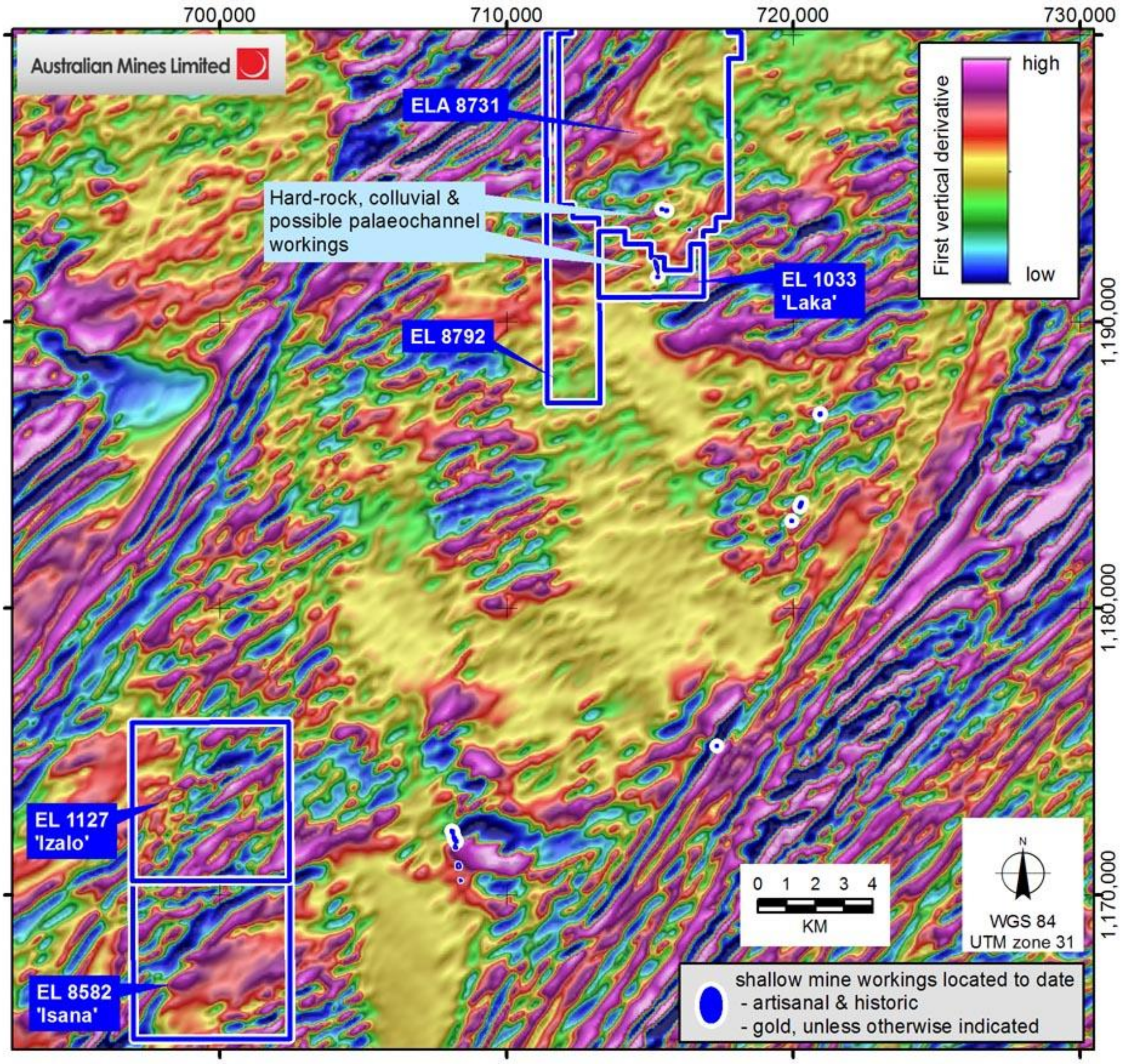

Figure 9 *– Aeromagnetic (1VD) Map of the Yauri Area showing location of artisanal workings.*

LAKA LICENCE (EL 1033)

The Laka licence is located to the south of AUZ's ELA 8731, which is underlain by schists. There are extensive colluvial/palaeo-alluvial workings and one small hard rock working was also located.

Working Name	Description
Hard rock working	This 15m long working, a quartz vein that strikes 020 and dips 70W, has previously been mined.
Colluvial/palaeo-alluvial workings	These extensive workings cover a large area and it is suspected that the workings are on a palaeo-channel of a large river to the south.

IZALO LICENCE (EL 1127)

This licence is mainly underlain by schists with a small area of granite in the northwest. No artisanal workings have been reported in the area, however a small outcrop of quartz vein with associated low grade manganese was observed.

THE GOLDEN RIDGE PROJECT

The Golden Ridge exploration project area is ideally located between the world-class nickel and gold mining centres of Kambalda and Kalgoorlie, and is within easy trucking distance of both nickel and gold toll treatment facilities. The project tenements are actively explored for both mesothermal gold deposits and Kambalda-style Archean nickel sulphide deposits.

Post year end, AUZ entered into an agreement for the sale of the Mt Martin gold mine and its associated leases for $7.5M. The assets are to be acquired by HBJ Minerals Pty Ltd, a wholly owned subsidiary of the Alacer Group (ASX: AGQ, TSX: ASR). Terms and conditions of this agreement are detailed in section 7 of the Directors Report. The project tenements concerned with the sale are provided in the Tenement Schedule.

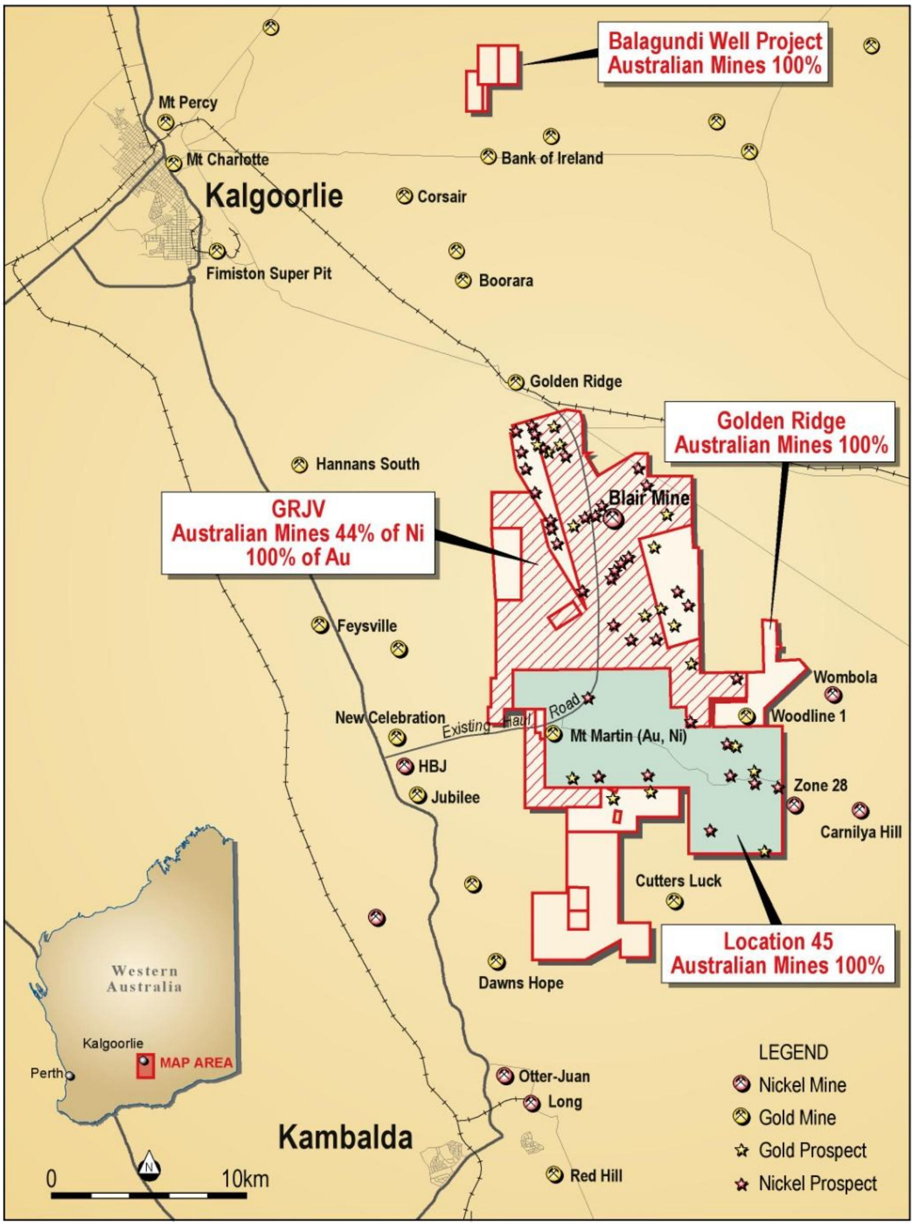

__Figure 10:__ Golden Ridge tenement plan.

GOLD EXPLORATION

Introduction

AUZ interests include 100% gold interest in a total 251km^2 of tenements at Golden Ridge (178 km^2 granted and 73km^2 in applications).

The gold tenements contain suitable host rocks and a favourable structural setting similar to that of the nearby gold ore bodies at the Golden Ridge mine (production 250,000 ounces), the Mt Martin mine (210,000 oz.) and the Wombola gold mine.

Presented below is a summary of the main exploration activities completed during the year.

a) Mick's Hill exploration review

This review focused on the Mick's Hill prospect, located in the north of the project area, and the main aim was to identify possible drilling targets. There are three prospects identified on M26/222: Mick's Hill, Goat/18 Footer, and Flying Ant and previous exploration conducted in the area includes prospecting, geological and regolith mapping, geophysical surveys, soil sampling, and drilling.

The regolith in the area is complex with deep (50-70m) palaeochannels to the south and ferruginous gravel cover over 30m deep on the Mick's Hill prospect.

Mick's Hill has been well explored and has only a low geochemical response; however, the prospect is in a structurally favourable position. The geological mapping identified two faults: Golden Ridge and Mick's Hill faults, and the anomalous drilling results are associated with those structures.

Goat/18 Footer and Flying Ant have been extensively drilled with RC percussion and were briefly visited as part of the field work. The style and occurrence of gold mineralisation at these prospects appears to be gold in quartz veins and surficial enrichments.

b) Valuation report of Mt Martin and Golden Ridge

AUZ commissioned SRK Consulting (Australasia) Pty Ltd to compile an information memorandum and valuation report on the Company's gold exploration assets comprising Mt Martin and the Golden Ridge leases. The assets included a number of nickel resources and exploration targets; however, the nickel aspects were not included in the valuation.

This report incorporates the gold rights to 25 tenements (including one application) covering 179km^2.

SRK concluded that the Mt Martin/Golden Ridge/Duplex Hill Project offers two areas with known resources as well as a moderate-sized exploration portfolio in a highly prospective gold region. Included within the Project is the Mt Martin 264,500 oz Au resource and the small Woodline 1 resource of approximately 7,350 oz Au. The Mt Martin deposit is the key asset and value driver (Table 1) and potential remains below the existing resource and in the Swift area, although SRK considers the metallurgy may present some risk and has discounted the value accordingly.

Note that the Mt Martin and Woodline resources are included in the agreement with HBJ Minerals Pty Ltd.

Location	Resource oz Au	Low ($21.7/oz)	Preferred ($22.1/oz)	High ($36.3/oz)
Mt Martin Resource	264,500	$5,730,000	$5,850,000	$9,590,000
Mt Martin Resource Discounted 10%		$5,157,000	$5,265,000	$8,631,000
Woodline 1 Resource	7,350	$159,000	$163,000	$267,000
Total Value Resource	**271,850 oz**	**$5,316,000**	**$5,428,000**	**$8,898,000**

Table 1: *SRK range of values for Mt Martin and Woodline 1 resource*

There is also considerable exploration potential in the surrounding leases. These offer immediate drill targets and the opportunity to increase the resource base. Several areas of known mineralisation sometimes adjacent to historical workings represent valid exploration targets, such as Goat/18 Footer and Flying Ant. There are also a number of gold geochemical anomalies which have yet to be tested, including immediate drill targets such as Woolibar Flexure, Woodline North Auger anomaly, Goldstar, Commando and Zenith. This valuation of the surrounding exploration (Table 2) includes considerations for the:

- Potential extensions to the Woodline 1 Resource.
- The Woodline North auger anomaly.
- Goldstar-Commando-Zenith exploration area.
- The Woolibar Fault flexure anomaly.
- Goat/18 Footer-Mick's Hill exploration area.
- Flying Ant-Skidman exploration area.
- Flying Ant South-Channel exploration project.

Prospect	Low	SRK Preferred	High
Woodline extensions	$96,000	$107,000	$470,000
Woodline North Auger	$159,000	$171,000	$594,000
Goldstar-Commando-Zenith	$757,000	$778,000	$1,557,000
Woolibar Flexure	$1,130,000	$1,160,000	$2,219,000
Goat/18 Footer-Mick's Hill	$757,000	$778,000	$1,557,000
Flying Ant-Skidman	$461,000	$477,000	$1,033,000
Flying Ant South-Channel	$461,000	$477,000	$1,033,000
Total Exploration Prospects	$3,821,000	$3,948,000	$8,463,000

Table 2: *SRK range of values for Australian Mine's Gold Exploration Prospects*

These values combine to give SRK's preferred value for the combined Australian Mines' gold assets of $9.4 million.

Future developments

Although Mick's Hill has a low geochemical response the geochemical mapping has identified two faults that have anomalous drilling associated with them that need to be further tested.

NICKEL SULPHIDE EXPLORATION

With the increase of the nickel price since the closure of the Blair nickel mine, nickel exploration was recommenced at Golden Ridge on favourable ultramafic sequences to the south of the Blair mine.

AUZ has retained its nickel projects for the future, namely the Golden Ridge Joint Venture, and the Marriott's project near Leinster.

The Golden Ridge Joint Venture (GRJV - PIO 56% and manager, AUZ 44%)

Background

The stratigraphy on the Blair tenements has been folded and faulted such that there is at least 45 km of prospective basal contact under alluvial cover, including known concentrations of nickel sulphides at Blair Mine, Area 57, Blair South, Anomaly 11, Area 20SW, Marshall, and Duplex Hill.

The GRJV was formed between AUZ and Pioneer Resources Limited in 2006 to accelerate nickel exploration of a large area of folded ultramafic stratigraphy around the Blair mine exclusion zone. Pioneer Resources have spent a total of A$2.4 million to earn a 56% equity in the GRJV and Australian Mines is contributing on a pro-rata basis to maintain its 44% equity stake.

The GRJV endeavours to utilise the latest geochemical and geophysical technology to explore for 'blind' Kambalda-style nickel sulphide ore bodies.

Exploration

Exploration activities for the year consisted of two phases of surface EM surveys following up recommendations from the previous year's appraisal (Figure 11).

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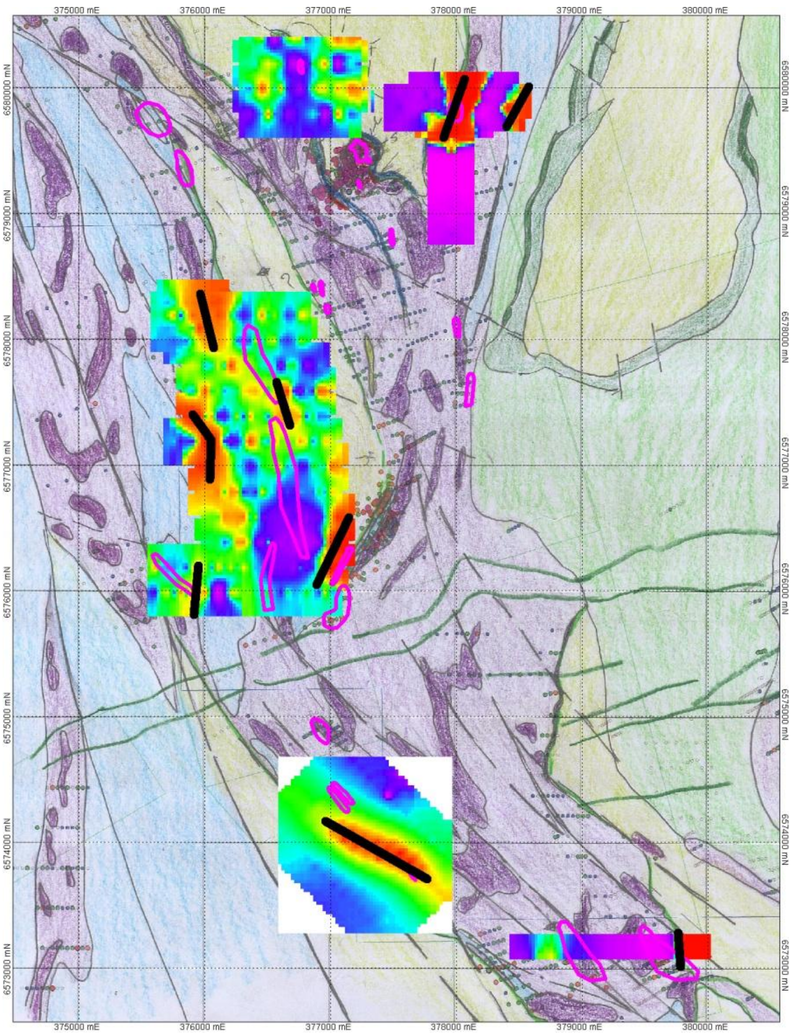

Figure 11: *Golden Ridge geology overlain by SQUID EM anomalies (black bars), and coincident Ni and Cu anomalism in drill holes (purple shapes).*

An initial program conducted SQUID Fixed Loop Electromagnetic (FLEM) surveys over the Anomaly 11 and 20SW deposits to identify deep massive Ni sulphides, and Moving Loop Electromagnetic (MLEM) surveys over several other prospective areas.

The survey at Anomaly 20SW failed to identify any conductors likely to represent massive nickel sulphides. At Anomaly 11 four conductive anomalies were identified, A11-1 to A11-4. Three of the anomalies were interpreted to be due to known sulphidic sediments with the final anomaly thought to represent a loop artefact and not a bedrock source.
MLEM SQUID surveys were completed at the Anomaly 20/20A, Anomaly 36-38, Frazer and Blair NE prospects.

The Blair NE survey was designed to test the ultramafic sequence immediately east of the mine area that had been poorly tested to date due to the placement of the mine infrastructure and dumps. The initial results were encouraging and further EM was recommended to satisfactorily assess the area.

The Frazer survey targeted a zone of ultramafic east of the Blair Mine that may represent an analogous antiformal setting. Two weak multi-station anomalies were interpreted.

The Anomaly 36-38 area is thought to be the continuation of the Blair South contact. Ten anomalies were identified, of which anomaly A36-38_6 is the highest ranked.

Anomaly 20 and 20A are located at the southern limit of the main GRJV ultramafic sequence. Two anomalies were identified at Anomaly 20.

In the second phase of geophysical exploration, FLEM and MLEM surface surveys were completed using the SAMSON sensor, mostly to follow up previously identified SQUID EM anomalies.

At Blair NE, a SAMSON FLEM survey was designed to follow up the identified conductors of the previous SQUID MLEM survey. While the new FLEM survey identified a discrete late-time anomaly in the vicinity of the SQUID anomaly, the original target was not confirmed.

The SAMSON MLEM was designed to test conductors identified in the 2010 SQUID survey at Anomaly 20 (A20_2 anomaly) and at Anomaly 36-38 (A36-38_6). The survey also tested several prospective targets that were not tested during the 2010 SQUID survey. These targets were Anomaly 40, Marshall and Marshall South.

Future developments

As a result of the SQUID and follow up SAMSON surface EM surveys two conductors were identified that will require drill testing. One conductor is located at the Blair NE area and the other was identified at the Anomaly 36-38_6 target. In both cases the original anomalies could not be repeated and the current targets are newly identified.

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MINERAL RESOURCE STATEMENTS

The company is actively exploring for nickel and gold and tabled below is the resource statement for each commodity.

GOLD MINERAL RESOURCES (Undiluted)

Australian Mines Limited reports gold resource figures for two projects near Kalgoorlie: the Woodline 1 Resource and the Mt Martin Project Area, which includes gold resources at the Mt Martin Mine and the nearby Swift Pit. Post year end, AUZ entered into an agreement which is to result in a sale of the leases making up the gold resource in table 3. The leases are to be acquired by HBJ Minerals Pty Ltd, a wholly owned subsidiary of the Alacer Group (ASX: AGQ, TSX: ASR). Terms and conditions of this agreement are detailed in section 7 of the Directors Report.

Location	Category	Resource Tonnes	Gold g/t	Gold Ounces
Woodline 1	Measured			
	Indicated	90,000	2.19	**6,300**
	Inferred	2,000	2.12	**150**
	Sub-total	**92,000**	**2.19**	6,450
Mt Martin Mine	Measured			
	Indicated	3,180,000	2.00	**204,000**
	Inferred	1,490,000	2.59	**124,000**
	Sub-total	**4,670,000**	**2.19**	328,000
Swift	Measured			
	Indicated	130,000	2.56	**10,700**
	Inferred			
	Sub-total	**130,000**	**2.56**	10,700
	Total	4,892,000	2.20	345,150

Table 3: *Gold resources as at June 30th 2011.*

(B) NICKEL MINERAL RESOURCES (UNDILUTED)

Australian Mines Limited reports nickel sulphide resource figures for the mothballed Blair Nickel Mine, and in addition reports nickel resources from other exploration projects which are all on granted mining leases.

Location	Category	Resource Tonnes	Nickel %	Nickel Tonnes
Blair Mine – Ni sulphide Resource	Measured	33,000	4.2	**1,400**
	Indicated	28,000	4.1	**1,100**
	Inferred	52,000	3.5	**1,800**
	Sub-total	**113,000**	**3.8**	4,300
Marriott's – Ni Sulphide Resource	Measured			
	Indicated	460,000	1.12	**5,100**
	Inferred	370,000	1.15	**4,300**
	Sub-total	**830,000**	**1.13**	9,400
Goodyear – Ni Sulphide Resource	Measured			
	Indicated			
	Inferred	390,000	3.78	**14,700**
	Sub-total	**390,000**	**3.78**	14,700
Ni Sulphide Resource	Total	1,332,000	2.13	28,400

Table 4: *Nickel sulphide resources as at June 30th 2011.*

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TENEMENT SCHEDULE

West African Tenements

The Company's West African tenements are located in the north west of Nigeria on ground highly prospective for gold and base metals.

Tenement Numbers	Project Name	Area (km2)	Holder (all 100% AUZ)
Anka - Maru Gold Province			
EL 8584		3.2	MGL
EL 8588		3.2	MGL
EL 8589		38.4	MGL
EL 8590		3.2	MGL
EL 8594		1.6	MGL
EL 8732	Yargarma	172	MGL
EL 8737		16	MGL
EL 8991		52.8	MGL
EL 8993		32.4	MGL
EL 9016		0.4	MGL
EL 9447	Kasele	115.6	MGL
EL 9449	Kwale	56.2	MGL
EL 9598		7	HDJ
ELA 8724		4.2	MGL
ELA 8725	Tsanna	38.1	MGL
ELA 9448		25.1	MGL
ELA 9450		30.0	MGL
ELA 9452		58.6	MGL
ELA 12284	Dogonrami	134.2	MGL
Minna - Birnin Gwari Gold Province			
EL 1049		28.8	MGL
EL 8585	Ogu	48.8	MGL
EL 8586	Makeri	66	MGL
EL 8587		21.6	MGL
EL 8591	Hanawanka	116	MGL
EL 8593		42.4	MGL
EL 8723		14	MGL
EL 8728		8	MGL
EL 8735		8	MGL
EL 8743		57.6	MGL
EL 8992		57.6	MGL
EL 9007		15	MGL
EL 9009		46.8	MGL

EL 9010		93.6	MGL
EL 9011		22.4	MGL
EL 9013	Zungeru	51.2	MGL
EL 9014	Lua	81	MGL
EL 9015		96	MGL
EL 9017		35.2	MGL
EL 9018		60.8	MGL
EL 9019		38.4	MGL
EL 9020		76.8	MGL
EL 9021		73.6	MGL
EL 9451	Damsaralan	179.2	HDJ
EL 9627		38.4	MGL
EL 9628		96	MGL
EL 9629	Guga	13.2	MGL
EL 9537		30.6	HDJ
ELA 8727		1.5	MGL
Yauri Gold Province			
EL 1033	Laka	5.8	MGL
EL 1127	Izalo	28.8	MGL
EL 8582	Isana	28.8	HDJ
EL 8592		14.2	MGL
ELA 8731		54.6	MGL
ELA 9539		198.9	MGL
ELA 9599		196.2	HDJ
Regional Areas			
EL 1032		6.4	MGL
EL 8726		7.2	MGL
EL 8988		154	MGL
EL 8989		64	MGL
EL 8990		40	MGL
EL 9008		84	MGL
EL 9382		130	MGL
EL 9383		192.2	MGL
ELA 8733		120.8	MGL
ELA 8734		164.1	MGL

EL = granted licence *ELA = licence application*

Holders:

MGL = Mines Geotechniques Ltd - *a wholly owned Nigerian subsidiary of AUZ*

HDJ = Hoffman & Danja International Ltd - *licences held in trust for Nigeria Gold Pty Ltd, a wholly owned subsidiary of AUZ.*

Australian Tenements

The Company's Australian tenements are located in the Central and Eastern Goldfields of Western Australia on ground highly prospective for nickel and gold.

Tenement Numbers	Project Name	Project Interest
Blair Project		
M26/219 – M26/222	Blair Project GRJV	44% of Ni, 100% of Au
M26/285 – M26/286	Blair Project GRJV	44% of Ni, 100% of Au
M26/384	Blair Project GRJV	44% of Ni, 100% of Au
EL26/139	Blair Project GRJV	44% of Ni, 100% of Au**
M26/223	Blair Project	100%
M26/284	Blair Project	100%
M26/287 – M26/289	Blair Project	100%
M26/782	Blair Project	100%*
P26/2899	Blair Project	100%
P26/3346	Blair Project	100%*
P26/3347	Blair Project	100%*
P26/3348	Blair Project	100%*
P26/3349	Blair Project	100%*
East Location 45	Blair Project	100%*
M26/132	Blair Project	100%*
M26/464	Blair Project	100%*
EL26/148	Blair Project	100%*
Marriott's Project		
M37/96	Marriott's Project	100%

* Tenements indicated with an "*" are in the process of being sold to HBJ Minerals Pty Ltd ("HBJ") for $7.5m. HBJ Minerals Pty Ltd is a wholly owned subsidiary of TSX and ASX listed Alacer Gold Corp. This payment terms and conditions of this agreement are detailed in section 7 of the Directors Report.

** As part of the above mentioned sale process AUZ is to provide HBJ access and the gold mineral rights to the southern 'L' shaped section of E26/139 – defined as that part of the tenement comprising the GDA94 graticules Million Plan Kalgoorlie, Primary 2613, Blocks a, f, l, m and n.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Mick Elias who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Elias is a director of AUZ. Mr Elias has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias has consented to the inclusion of the information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Consolidated Group comprising Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities and the Consolidated Group's interest in jointly controlled entities for the year ended 30 June 2011, and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Michael Ramsden – Chairman appointed 9 March 2011
BEc, LLB, FFIN
Michael Ramsden is a lawyer with more than 25 years experience as a corporate advisor. He has been involved with all forms of finance, including money markets, futures trading, lease finance, trade finance and foreign exchange. Mr Ramsden is the Managing Director of Terrain Capital in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited.

Mick Elias – Non-Executive Director appointed 1 July 2005
BSc(Hons), FAusIMM, CPGeo
Mick Elias has over 25 years of extensive, international experience in all aspects of nickel resource development in both laterites and sulphides, from project generation and evaluation, exploration planning and management, development studies, open cut and underground mine geology, resource/reserve estimation, and resource economics.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources Ltd. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne. Mr Elias is a director of Mercator Gold plc, Silver Swan Group Limited and a Fellow of the Australasian Institute of Mining and Metallurgy.

Dominic Marinelli – Executive Director appointed 12 August 2011
Previously Non-Executive Director appointed 9 March 2011
MBA, BEng, PGD Sc
Dominic Marinelli has over 20 years of corporate fundraising experience covering a wide range of industries including resources (including resources in Nigeria) and other emerging technologies. Mr Marinelli is a Director of Terrain Capital in Australia

Neil Warburton – Non-Executive Director appointed 22 April 2003
Associate Mining Engineering – WASM, FAusIMM
Neil Warburton is a qualified mining engineer with more than 30 years experience in the development and mining of gold and nickel projects in Australia. He has held executive and board positions with a number of Australian resource companies and is currently Chief Executive Officer of Barminco Ltd.

Brett Young – Non-Executive Director since 12 August 2011
Previously Executive Director and Chief Operating Office from 17 October 2005 until 12 August 2011, and Company Secretary from 1 September 2004 until 14 September 2011
BCom, CA
Brett Young is a Chartered Accountant with more than 25 years commercial and financial experience in resource based companies. Mr Young has held senior management positions with major resource companies including Commercial Manager for Pasminco Century Zinc in the start up phase, KCGM, Newcrest and WMC. He has experience in commercial evaluation of projects, company secretarial, implementing corporate strategies and developing information systems.

DIRECTORS' REPORT (cont.)

2. COMPANY SECRETARY

The Company Secretaries of the Company during or since the end of the financial year are:

Sally Grice – BCom, CA appointed 8 August 2011
Sally Grice is a Chartered Accountant and holds a Bachelor of Commerce degree from UWA. She has more than 25 years commercial and financial experience in resource based and related companies.

Brett Young – BCom, CA appointed 1 September 2004, resigned 14 September 2011
(see details above)

3. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year is as follows:

	Board Meetings		Remuneration Committee	
Director	**Held**	**Attended**	**Held**	**Attended**
Michael Ramsden	4	4	-	-
Mick Elias	12	12	1	1
Dominic Marinelli	4	4	-	-
Neil Warburton	12	11	1	1
Brett Young	12	12	1	1

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

4. PRINCIPAL ACTIVITIES

At a shareholders' meeting held on 9 March 2011 the acquisition of Nigeria Gold Pty Ltd ("NGL") was approved. At that meeting Michael Ramsden and Dominic Marinelli, both representing NGL, were elected to the Board. NGL, through its Nigerian subsidiary Mines Geotechniques Limited, owns 53 granted exploration licences covering 2,774 km^2 and a further 12 exploration licence applications over 1,026 km^2 for a total of 3,800km^2 in three main areas in north-western Nigeria. NGL has conducted low level exploration work on the newly acquired tenements in North Western Nigeria.

The principal activities of the Consolidated Group during the earlier months of the year comprised the exploration for gold on its Golden Ridge tenements and at Mt Martin gold mine located near Kalgoorlie in Western Australia. Limited exploration work was done on the Consolidated Group's nickel assets.

There was no mining of nickel ore at the Blair Nickel Mine and the mine remained in indefinite suspension since December 2008 due to sub-economic prevailing conditions.

The group also reviewed other resource exploration and production opportunities.

DIRECTORS' REPORT (cont.)

5. OPERATING AND FINANCIAL REVIEW

Review of financial condition

The Consolidated Group made a loss for the year of $3,095,000 (2010: loss $129,000)

A comparison of the consolidated financial performance is included in the table below.

Financials	2011	2010
	$'000 s	$'000 s
Revenue from operating activities	-	-
Net (Loss)	(3,095)	(129)
Cash and cash equivalents	816	1,578

Consolidation of capital

During the financial year the Consolidated Group completed a reconsolidation of share capital, on a one for twenty basis.

Due to a financial reconstruction, the capital of the Company had been increased during the 2009/2010 financial year from 456,806,396 shares to 6,981,662,168 shares. To make the Company more attractive to investors, the shares were consolidated in November 2010, reducing the number of shares from 6,981,662,168 to 349,083,108. Similarly, the number of options on issue were reduced from 1,463,288,839 to 73,164,442 and the exercise price of each of those options were increased by a multiple of 20.

Nigeria

The Group acquired 100% of Nigeria Gold Pty Ltd during the period. Nigeria Gold, through its Nigerian subsidiary Mines Geotechniques Limited owns 50 granted exploration licenses covering 2,645 km^2 and a further 14 exploration license applications over a further 1,375 km^2. Nigeria is underexplored by modern exploration techniques and is considered to have the potential for major precious metal and base metal deposits. The Nigerian schist belts have been compared with the better known, highly mineral endowed Birimian schist belt of Ghana, Mali and Burkina Fasso.

Production of gold in Nigeria was initially undertaken by British companies in around 1933 and quickly grew to an annual production output of up to 40,000 ounces. Production ceased during the Second World War and never resumed following the discovery of oil.

Mt Martin Gold Mine

The Consolidated Group signed a binding letter agreement for the sale of its Mt Martin gold mine and its associated leases for $7,500,000. The Group entered into a formal tenement purchase agreement on 30 September 2011. Although the transaction has not yet completed (and is conditional on obtaining the required Government and Lessor approval) the Group has already received $250,000 of the consideration. The remainder of the consideration is due on the following schedule: $2,250,000 (30 October 2011), $2,500,000 (29 June 2012) and $2,500,000 (28 June 2013). If the transaction does not complete within 6 months, then unless the parties agree to extend any consideration received is refundable.

DIRECTORS' REPORT (cont.)

5. OPERATING AND FINANCIAL REVIEW (cont.)

The sale includes East Location 45, including 2 associated leases M26/464, M6/132 together with Duplex Hill (Woodline Project) and the southern portion of E26/139.

Golden Ridge Tenements & Blair Nickel Mine, Kalgoorlie Western Australia

The Mt Martin sale does not include the Golden Ridge tenements, where the Group controls 100% of the Gold Rights and 44% of the nickel rights through the Golden Ridge JV with Pioneer Resources (56%). In addition the sale does not include the Blair Nickel Mine, which is 100% controlled by the Group.

The Group's nickel assets contain some 28,400 tonnes of nickel metal. An independent valuation conducted during the Period by SRK Consulting of the Golden Ridge Tenements that were not included in the Mt Martin sale had a preferred valuation of $3,670,000.

Consistent with its strategy of focusing on West Africa, the Golden Ridge Tenements and the Blair Nickel Mine are being held for sale.

Results of Operations

The Consolidated Group has focused on the acquisition of Nigeria Gold Pty Ltd, gold exploration on the Golden Ridge and Mt Martin tenements during the year and also the sale of the Mt Martin tenements.

6. DIVIDENDS

No dividends were paid or declared by the Company during the year.

7. EVENTS SUBSEQUENT TO BALANCE DATE

On 29 July 2011 the Company signed an agreement to sell the Mt Martin goldmine and surrounding tenements for $7,500,000 cash. The payment terms are set out below. This agreement was superseded on 30 September 2011 by the formal sale of mineral interests agreement. The key terms of this agreement are:

- An initial deposit of $250,000 received in August 2011,
- An instalment of $2,250,000 to be paid within 30 days of 30 September 2011,
- Two further instalments of $2,500,000 each on 30 June 2012 and 30 June 2013,
- The finalisation of the conditions precedent within six months from 30 September 2011, and
- Should the transaction not be completed within the six months from 30 September 2011, any consideration paid to the company must be returned plus interest.

The Directors are confident that the conditions will be met and the transaction will progress as planned.

In accordance with the agreement to acquire subsidiaries in March 2011, an additional 60,000,000 shares in Australian Mines Limited were issued at market price on 4 August 2011to the previous shareholders of Nigeria Gold Pty Ltd. The liability for the issue of these shares was recognised at 30 June 2011, by the amount of $684,000 included in current liabilities.

DIRECTORS' REPORT (cont.)

7. EVENTS SUBSEQUENT TO BALANCE DATE (cont.)

The previous shareholders of Nigeria Gold Pty Ltd are claiming entitlement to an additional 60,000,000 shares on the basis that the Consolidated Group has been granted two high priority tenements. The Company has not granted these additional shares because only 56 km^2 was granted out of the 167 km^2 applied for, and therefore the independent directors are seeking legal advice regarding the milestone as set out in the terms of the transaction approved by Shareholders on 9 March 2011.

8. LIKELY DEVELOPMENTS

During the period the Group adopted a strategy of selling its Australian assets and focusing on exploration opportunities in West Africa, where it is believed the region has the potential for multi-million ounce gold and significant base metal discoveries. The Group will also continue to assess resource exploration and production opportunities in other geographies, where it is believed they will enhance shareholder value.

As well as redirecting its principal activities to gold exploration in West Africa, the Consolidated Group will continue funding some exploration in Western Australia until it has sold all its Australian mineral interests.

9. DIRECTORS' INTERESTS

At the date of this report, the number of shares and options in the Company held by each Director of Australian Mines Limited and other key management personnel of the Consolidated Group, including their personally-related entities, are as follows:

Specified Directors	Shares	Listed Options	Unlisted Options
M Ramsden (i)	18,243,697	-	-
M Elias (ii)	1,040,316	48,891	3,112,500
D Marinelli (iii)	20,176,510	-	-
N Warburton (iv)	4,116,564	392,784	4,150,000
B Young (v)	7,035,014	341,291	6,300,000

(i) Mr M Ramsden has a relevant interest in the following shares - 2,252,270 shares owned by Pacrim Investment Consultants Pty Ltd as trustee for Pacrim Superannuation Fund, 5,856,908 held by Terrain Capital Limited. 10,134,519 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust. (The Ramsden Family Trust also holds 1,985,394 shares in trust for an unrelated party).

(ii) 1,040,316 shares in which Mick Elias owns an interest are in the name of Elias Super Fund.

(iii) Mr D Marinelli has a relevant interest in the following shares - 5,856,910 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monta Amaro Super Fund, and 14,319,600 shares held by Dominic Orlando Marinelli as trustee for The Monte Acquaviva Trust. (The Monte Acquaviva Trust holds another 248,175 shares in trust for an unrelated party.)

(iv) 1,946,563 shares in which Mr N Warburton has a relevant interest are owned by Michlange Pty Ltd as trustee for the Warburton Family Trust and 2,170,001 are held by Michlange Pty Ltd as trustee for the Warburton Super Fund.

(v) 3,204,218 shares are owned in the name of the B Young Superannuation Fund and 3,830,796 shares are owned by Costo Pty Ltd as trustee for the M B Young Family Trust.

DIRECTORS' REPORT (cont.)

10. SHARE OPTIONS

Unissued shares under options

At the date of this report unissued ordinary shares of the company under option are:

	Expiry date	Exercise price	Number of shares
Unlisted share options			
Specified director share options	31 December 2011	$1.00	75,000
Specified director share options	31 December 2011	$1.50	162,500
Specified director share options	31 December 2011	$2.00	162,500
Specified director share options	31 December 2011	$2.50	162,500
Specified director share options	31 December 2014	$0.06	3,250,000
Specified director share options	31 December 2014	$0.08	3,250,000
Specified director share options	31 December 2014	$0.10	3,250,000
Specified director share options	31 December 2014	$0.12	3,250,000
Listed share options	30 June 2013	$0.04	59,563,752
			73,126,252
Options exercised during the year	30 June 2013	$0.04	877
Options forfeited or lapsed during the year		$1.50	37,500

11. REMUNERATION REPORT – AUDITED

11.1 Overview of Remuneration Policies

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that reflects the person's responsibilities, duties and personal performance. An employee option scheme for key Executives is in place.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The Board has established a Remuneration and Nomination Committee (Remuneration Committee) responsible for making recommendations to the Board on remuneration arrangements for Directors and Executives of the Company.

11.2 Principles of Compensation

Remuneration of directors and executives is referred to as compensation throughout this report. Compensation levels for key management personnel, and relevant key management personnel of the Consolidated Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

DIRECTORS' REPORT (cont.)

11. REMUNERATION REPORT (cont.)

11.2 Principles of Compensation (cont.)

Fixed Compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual and overall performance of the Consolidated Group.

Performance-linked Compensation

Performance linked compensation includes long-term incentives in the form of options that are able to be issued under the Employee Option Scheme.

Short term Incentive Bonus

The company has no scheme to pay discretionary bonuses based on performance, and none was paid this year.

Long Term Incentive Bonus - Employee Share Option Plan

Persons eligible to participate in the Australian Mines Employee Option Plan ('Plan') include Directors (subject to shareholder approval) and all employees of the Company. Options are granted under the plan for no consideration for a maximum period of 5 years and can be exercised at any time between the date the option is granted and the expiry date.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the options. An option holder is required to exercise options in order to participate in any new issue of securities offered to shareholders by the Company for subscription on a pro rata basis.

Options are only capable of exercise if the minimum service period is met. The minimum service period will be waived so as to not be applicable in the event of a takeover offer or a merger of the Company. Each option exercised will entitle the holder to one ordinary share in the capital of the Company.

Where the employee ceases for any reason to be employed with the Company, all unexercised options automatically expire 14 days after the date of ceasing to be employed.

There is presently no stated policy restricting Directors or Executives from limiting their exposure to risk in relation to options granted.

As a result of the plan, there are currently 13,562,500 unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. There were no options issued under the plan during the year 30 June 2011.

DIRECTORS' REPORT (cont.)

11. REMUNERATION REPORT (cont.)

11.2 Principles of Compensation (cont.)

Consequences of Performance on Shareholder Wealth

In considering the Consolidated Group's performance and benefits for shareholder wealth, the Remuneration Committee take into account profitability and share price movements when setting the total amount of any bonuses. No performance bonuses were paid in the current financial year.

	2011	2010	2009	2008
Loss for the year	$3,095,000	$129,000	$3,435,000	$4,479,000
Change in Share Price	(0.5c)	(38c)	27.5c	(44.9c)

Service Contracts - Executive Director

The Company has entered into a service agreement contract with Executive Director, Mr Brett Young who was employed on a salary of $240,000 (2010: $180,000[1]) plus 9% superannuation effective from 1 January 2011 until his resignation, effective 14 September 2011. Brett has continued as a non-executive director since 14 September 2011.

Contracts of employment may be terminated by the Company forthwith if the Executive Director (amongst other items) breaches duties connected with the performance of services; enter bankruptcy; engages in misconduct; is of ill health or unsound mind. Under such circumstances the Company will pay an amount equal to the aggregate of unpaid salary, annual leave and long service leave accrued to the date of termination. If an Executive Director elects to terminate the contract, written notice of one month will be provided to the Company.

The Company provides insurance for Executive Directors for any liability arising from statute or common law and public indemnity insurance in respect of shareholder or third party actions.

The Remuneration Committee undertakes to review Directors' remuneration on an annual basis to take into account changes to the cost of living and changes in the scope of the Directors' roles and responsibilities. If warranted the Remuneration Committee may approve bonus payments up to a reasonable limit for exceptional performance.

Service Contracts - Executive Officers

The Company has entered into employment contracts with Executive Officers.

Commencing 21 June 2011, Ms S Grice was employed on a part-time basis as Company Secretary and Financial Officer on a salary of $100 per hour plus 9% superannuation. This contract requires one month written notice to be terminated by either party.

Mr E Poole was employed as Exploration Manager at a salary of $183,000 (2010: $145,000) plus 9% superannuation until his termination on 28 February 2011. Either party could terminate the contract on four weeks notice,

DIRECTORS' REPORT (cont.)

11. REMUNERATION REPORT (cont.)

Commencing 19 April 2011, Mr D Aliyu was employed as Nigerian Manager at a salary of US$6,000 per month. Mr Aliyu is also a Director of Mines Geotechniques. His contract requires one month written notice to be terminated by either party.

11.2 Principles of Compensation (CONT.)

Non-Executive Directors

Total remuneration for all Non-Executive Directors, is not to exceed $300,000 per annum and fees are set with reference to fees paid to other Non-Executive Directors of comparable companies. Non-
Executive Directors' base fees are presently $55,000 (2010: $27,500[1]) per annum. The Non-Executive Chairman receives a fee of $86,000 (2010: $43,000[1]) per annum.

The Chairman and Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main board activities and membership of committees. The directors have participated in the Employees Option Plan and received an allotment of unlisted options as detailed in note 22.

Dates of Appointment and Termination

Where the remuneration is not applicable to the full year, the relevant dates are shown below:

	Position	Effective From	Effective To
Michael Ramsden	Chairman	9 March 2011	
Michael Ramsden	Non-Executive Director	9 March 2011	
Neil Warburton	Chairman		9 March 2011
Dominic Marinelli	Non-Executive Director	9 March 2011	
Danjuma Aliyu	Nigerian Manager	19 April 2011	
Sally Grice	Financial Officer	21 June 2011	
Ernie Poole	Geological Manager		28 February 2011
Brett Young	Chief Operating Officer		12 August 2011
Brett Young	Non-Executive Director	12 August 2011	12 August 2011
Brett Young	Company Secretary		14 September 2011

[1] Directors' pays were reduced in 2009 to reflect the difficult economic situation that the Company was confronted with. The reduced remuneration amounts remained in place until December 2010, and are set out as paid to Directors and Executives in this report.

11.3 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Consolidated Group and the executive officers of the Consolidated Group receiving the highest remuneration are:

Directors		Short term		Post employment			Share based payments				
		Directors' fees	Executive salaries (B)	Super-annuation contribution	Termination and Retirement Benefits	Other Long Term Benefits (C)	Options Issued (A)	Insurance Premiums	Total	Proportion of remuneration performance based %	Value of Options as a proportion of Remuneration %
		$	$	$	$	$	$	$	$		
Non-executive											
Mr M Ramsden	2011	28,667	-	2,580	-	-	-	686	31,933	-	-
Mr M Elias (A)	2011	41,250	-	-	-	-	25,238	2,057	68,545	37	37
	2010	27,500	-	-	-	-	26,196	557	54,253	48	48
Mr D Marinelli	2011	18,333	-	1,650	-	-	-	686	20,669	-	-
Mr N Warburton (A)	2011	56,750	-	-	-	-	33,650	2,057	92,457	36	36
	2010	43,000	-	-	-	-	34,928	557	78,485	44	44
Executive											
Mr B Young (A)	2011	-	227,166	18,450	-	29,386	50,475	2,057	327,534	15	15
	2010	-	180,000	16,200	-	-	52,392	557	249,149	21	21
Total compensation: Directors	2011	145,000	227,166	22,680	-	29,386	109,363	7,543	541,138	20	20
	2010	70,500	180,000	16,200	-	-	113,516	1,671	381,887	30	30
Executive Officers											
Mr D Aliyu	2011	-	32,333	-	-	-	-	-	32,333	-	-
Ms S Grice	2011	-	1,200	108	-	-	-	-	1,308	-	-
Mr E Poole	2011	-	94,817	9,270	-	-	-	1,371	105,458	-	-
	2010	-	135,000	30,429	-	-	-	557	165,986	-	-
Total compensation Executive Officers	2011	-	128,350	9,378	-	-	-	1,371	139,099	-	-
	2010	-	135,000	30,429	-	-	-	557	165,986	-	-

(A) The estimated value disclosed above is calculated at the date of grant using a Black-Scholes model.
(B) Salaries includes movement in the provisions for annual leave and sick leave.
(C) Other long term benefits include movement in the long service leave provision.

DIRECTORS' REPORT (cont.)

11.4 Equity Instruments and Exercise of Options granted as compensation

The number of options over ordinary shares in the Company held at year end, by each Director of the Consolidated Group and other key management personnel of the Consolidated Group, including their personally-related parties, are as follows:

	Held at 1 July 2010	Granted as remuneration	Grant Date	Exercised	Consolidated at 1:20 ratio (A)	Forfeited	Held at 30 June 2011	Exercisable at 30 June 2011	Fair value of option at grant date	Exercise Price	Expiry Date
Specified directors											
N Warburton	1,000,000	-	29 Nov 2006	-	(950,000)	-	50,000	50,000	$0.430	$1.50	31 Dec 2011
N Warburton	1,000,000	-	29 Nov 2006	-	(950,000)	-	50,000	50,000	$0.354	$2.00	31 Dec 2011
N Warburton	1,000,000	-	29 Nov 2006	-	(950,000)	-	50,000	50,000	$0.328	$2.50	31 Dec 2011
N Warburton	20,000,000	-	27 Nov 2009	-	(19,000,000)	-	1,000,000	1,000,000	$0.0184	$0.06	31 Dec 2014
N Warburton	20,000,000	-	27 Nov 2009	-	(19,000,000)	-	1,000,000	1,000,000	$0.0164	$0.08	31 Dec 2014
N Warburton	20,000,000	-	27 Nov 2009	-	(19,000,000)	-	1,000,000	-	$0.0150	$0.10	31 Dec 2014
N Warburton	20,000,000	-	27 Nov 2009	-	(19,000,000)	-	1,000,000	-	$0.0138	$0.12	31 Dec 2014
M Elias	750,000	-	29 Nov 2006	-	(712,500)	-	37,500	37,500	$0.430	$1.50	31 Dec 2011
M Elias	750,000	-	29 Nov 2006	-	(712,500)	-	37,500	37,500	$0.354	$2.00	31 Dec 2011
M Elias	750,000	-	29 Nov 2006	-	(712,500)	-	37,500	37,500	$0.328	$2.50	31 Dec 2011
M Elias	15,000,000	-	27 Nov 2009	-	(14,250,000)	-	750,000	750,000	$0.0184	$0.06	31 Dec 2014
M Elias	15,000,000	-	27 Nov 2009	-	(14,250,000)	-	750,000	750,000	$0.0164	$0.08	31 Dec 2014
M Elias	15,000,000	-	27 Nov 2009	-	(14,250,000)	-	750,000	-	$0.0150	$0.10	31 Dec 2014
M Elias	15,000,000	-	27 Nov 2009	-	(14,250,000)	-	750,000	-	$0.0138	$0.12	31 Dec 2014
B Young	1,500,000	-	29 Nov 2006	-	(1,425,000)	-	75,000	75,000	$0.448	$1.00	31 Dec 2011
B Young	1,500,000	-	29 Nov 2006	-	(1,425,000)	-	75,000	75,000	$0.430	$1.50	31 Dec 2011
B Young	1,500,000	-	29 Nov 2006	-	(1,425,000)	-	75,000	75,000	$0.354	$2.00	31 Dec 2011
B Young	1,500,000	-	29 Nov 2006	-	(1,425,000)	-	75,000	75,000	$0.328	$2.50	31 Dec 2011
B Young	30,000,000	-	27 Nov 2009	-	(28,500,000)	-	1,500,000	1,500,000	$0.0184	$0.06	31 Dec 2014
B Young	30,000,000	-	27 Nov 2009	-	(28,500,000)	-	1,500,000	1,500,000	$0.0164	$0.08	31 Dec 2014
B Young	30,000,000	-	27 Nov 2009	-	(28,500,000)	-	1,500,000	-	$0.0150	$0.10	31 Dec 2014
B Young	30,000,000	-	27 Nov 2009	-	(28,500,000)	-	1,500,000	-	$0.0138	$0.12	31 Dec 2014
Specified executives											
E Poole	500,000	-	31 Dec 2006	-	(475,000)	(25,000)	-	-	$0.430	$1.50	31 Dec 2011
E Poole	250,000	-	31 Dec 2007	-	(237,500)	(12,500)	-	-	$0.430	$1.50	31 Dec 2012

(A) Due to the consolidation of capital in November 2010, the numbers of options on issue were divided by 20 and the exercise price and fair value was increased by a multiple of 20.

11.5 Terms of equity settled share based payment transactions

Director's employment related options granted on 27 November 2009 are vested in four tranches. The details of the vesting plan are set out below. The values of all granted options are included in remuneration over the vesting period from December 2009 to December 2012.

Specified directors/executives	Granted as remuneration	Grant Date	Date vests	% vested in year	% forfeited in year	Exercise Price ($)	Expiry Date
N Warburton	1,000,000	27 Nov 2009	31 Dec 2009	-	-	0.06	Dec 2014
	1,000,000	27 Nov 2009	31 Dec 2010	100%	-	0.08	Dec 2014
	1,000,000	27 Nov 2009	31 Dec 2011	-	-	0.10	Dec 2014
	1,000,000	27 Nov 2009	31 Dec 2012	-	-	0.12	Dec 2014
M Elias	750,000	27 Nov 2009	31 Dec 2009	-	-	0.06	Dec 2014
	750,000	27 Nov 2009	31 Dec 2010	100%	-	0.08	Dec 2014
	750,000	27 Nov 2009	31 Dec 2011	-	-	0.10	Dec 2014
	750,000	27 Nov 2009	31 Dec 2012	-	-	0.12	Dec 2014
B Young	1,500,000	27 Nov 2009	31 Dec 2009	-	-	0.06	Dec 2014
	1,500,000	27 Nov 2009	31 Dec 2010	100%	-	0.08	Dec 2014
	1,500,000	27 Nov 2009	31 Dec 2011	-	-	0.10	Dec 2014
	1,500,000	27 Nov 2009	31 Dec 2012	-	-	0.12	Dec 2014

11.6 Modification of terms of equity settled share based payments

Due to the consolidation of capital in November 2010, the numbers of options on issue were divided by 20 and the exercise price and fair value was increased by a multiple of 20. Other than this, no terms of options terms have been altered or modified during the year or the prior year.

12. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 62 to 70.

13. ENVIRONMENTAL REGULATIONS

The Consolidated Group has conducted mining and exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements. The Consolidated Group aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations.

14. FINANCIAL REPORTING

The Directors and the Chief Operating Officer have declared, in writing to the Board that the Company's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

15. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

DIRECTORS' REPORT (cont.)

15. INDEMNIFICATION AND INSURANCE OF OFFICERS (cont.)

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all Board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year of $8,914 (2010: $11,143) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

16. NON-AUDIT SERVICES

During the year KPMG, the Consolidated Group's auditor, did not perform any services other than their statutory audits. Refer to Note 7 for auditor's remuneration.

In the event that non-audit services are provided by KPMG, the board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- Non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the consolidated Group, acting as an advocate for the Consolidated Group or jointly sharing risks and rewards.

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 16 and forms part of this Directors' Report for the year ended 30 June 2011.

18. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors

D. Marinelli

Dominic Marinelli
Director
Dated: 30 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Kevin Smout
Partner

Perth

30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 $000	2010 $000
Cost of sales			
Site operating costs		-	(4)
Depreciation and amortisation	5	(21)	(21)
Total cost of sales		(21)	(25)
Gross (loss)		**(21)**	**(25)**
Other income	4	24	627
Impairment of exploration	5	(2,028)	-
Corporate overheads and indirect expenses		(1,192)	(762)
Results from operating activities		**(3,196)**	**(160)**
Finance income	8	46	58
Finance costs	8	76	(27)
Net financing income/(costs)		**122**	**31**
(Loss) before income tax		**(3,095)**	**(129)**
Income tax	9	-	-
(Loss) for the year attributable to equity holders of the Company		**(3,095)**	**(129)**
Other comprehensive income		52	-
Total comprehensive income for the period		**(3,043)**	**(129)**
Basic (loss) per share (cent)	10	(0.731)	(0.041)
Diluted (loss) per share (cent)	10	(0.731)	(0.041)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital $000	Accum Losses $000	Share Capital Reserve $000	Share option reserve $000	Share Based Payment Reserve $000	Foreign exchange reserve $000	Total equity $000
Contributions by and distribution to members							
Opening balance at 1 July 2009	21,119	(16,010)	-	-	223	-	5,332
Total comprehensive income for the period:							
(Loss)	-	(129)	-	-	-	-	(129)
Total comprehensive income for the period	-	(129)	-	-	-	-	(129)
Transactions with owners, recorded directly in equity							
Share based payment transactions	-	-	-	-	659	-	659
Shares issued during the year	6,356	-	-	-	-	-	6,356
Options issued to shareholders	-	-	-	169	-	-	169
Transaction costs from issue of shares	(996)	-	-	-	-	-	(996)
Total transactions with owners, recorded directly in equity	5,360	-	-	169	659	-	6,188
Closing balance at 30 June 2010	**26,479**	**(16,139)**	**-**	**169**	**882**	**-**	**11,391**
Contributions by and distribution to members							
Opening balance at 1 July 2010	26,479	(16,139)	-	169	882	-	11,391
Total comprehensive income for the period:							
(Loss)	-	(3,095)	-	-	-	-	(3,095)
Other comprehensive income	-	-	-	-	-	52	52
Total comprehensive income for the period	-	(3,095)	-	-	-	52	(3,043)
Transactions with owners, recorded directly in equity							
Share based payment transactions	-	-	-	-	110	-	110
Recognition of Tranche 3 Shares	-	-	30	-	-	-	30
Shares issued during the year	5,240	-	-	-	-	-	5,240
Transaction costs from issue of shares	(45)	-	-	-	-	-	(45)
Total transactions with owners, recorded directly in equity	5,195	-	-	-			
Closing balance at 30 June 2011	**31,674**	**(19,234)**	**30**	**169**	**992**	**52**	**13,683**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011 $000	2010 $000
CURRENT ASSETS			
Cash and cash equivalents	12	816	1,578
Trade and other receivables	14	72	-
Assets classified as held for sale	15	9,207	-
TOTAL CURRENT ASSETS		**10,095**	**1,578**
NON-CURRENT ASSETS			
Exploration and evaluation assets	16	4,706	10,408
Property, plant and equipment	17	74	60
TOTAL NON-CURRENT ASSETS		**4,780**	**10,468**
TOTAL ASSETS		**14,875**	**12,046**
CURRENT LIABILITIES			
Trade and other payables	18	846	327
Interest bearing liabilities	19	4	3
Employee benefits	20	67	46
Liabilities classified as held for sale	15	275	-
TOTAL CURRENT LIABILITIES		**1,192**	**376**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	19	-	4
Provisions	21	-	275
TOTAL NON-CURRENT LIABILITIES		**-**	**279**
TOTAL LIABILITIES		**1,192**	**655**
NET ASSETS		**13,683**	**11,391**
EQUITY			
Contributed equity	22	31,674	26,479
Reserves	22	1,243	1,051
Accumulated losses	23	(19,234)	(16,139)
TOTAL EQUITY		**13,683**	**11,391**

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from operations			-
Cash payments in the course of operations		(1,091)	(4,491)
Interest received		46	58
Sundry Income		-	5
Net cash (used in) operating activities	13	**(1,045)**	**(4,428)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(1,234)	(1,212)
Payments for property, plant and equipment		(70)	(2)
Proceeds from sale of plant and equipment		87	1,019
Receipt from sale of exploration assets		-	501
Acquisition of Subsidiaries, net cash acquired		395	-
Net cash (used in)/provided by investing activities		**(822)**	**306**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares net of costs		1,055	6,075
Repayments of loans		-	(150)
Finance lease payments		(4)	(714)
Net cash provided by financing activities		**1,051**	**5,211**
Net (decrease)/increase in cash held		**(816)**	**1,089**
Cash at the beginning of the financial year		**1,578**	**489**
Effects of exchange rate changes on cash		54	-
Cash at the end of the financial year	12	**816**	**1,578**

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Group') and the Consolidated Group's interest in jointly controlled entities.

The consolidated financial statements were authorised for issue by the directors on 30 September 2011.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') (including interpretations) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

(d) Financial Position

These financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. For the year ended 30 June 2011 the Consolidated Group recorded a loss of $3,095,000 and experienced a net operating cash outflow of $1,045,000. At 30 June 2011 the Consolidated Group has net assets of $13,683,000 which includes cash and cash equivalents of $816,000.

On 29 July 2011 the Company signed an agreement to sell the Mt Martin goldmine and surrounding tenements for $7,500,000 cash. The payment terms are set out below. This agreement was superseded on 30 September 2011 by the formal sale of mineral interests agreement. The key terms of this agreement are:

- An initial deposit of $250,000 received in August 2011,
- An instalment of $2,250,000 to be paid within 30 days of 30 September 2011,
- Two further instalments of $2,500,000 each on 30 June 2012 and 30 June 2013,
- The finalisation of the conditions precedent within six months from 30 September 2011, and
- Should the transaction not be completed within the six months from 30 September 2011, any consideration paid to the company must be returned plus interest.

2. BASIS OF PREPARATION (cont.)

(d) Financial Position (cont.)

The Directors are confident that the conditions will be met and the transaction will progress as planned, which will provide sufficient funds to support the working capital requirements and exploration plans. Should the transaction not complete, the Directors would consider other funding sources or identify an alternative buyer for the Mt Martin asset.

(e) Use of judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities,
income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Judgements made by management that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(q).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

(f) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act 2001 that remove the requirement for the Group to lodge parent entity financial statements. Parent entity statements have been replaced by the specific parent entity disclosures in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(i) Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see note 3(h)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the mine to the production phase.

3. SIGNIFICANT ACCOUNTING POLICIES

(c) Property, plant and equipment (cont.)

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets
Leases in terms of which the Consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy note 3(h)). Lease payments are accounted for as described in accounting policy note 3(n).

(iii) Subsequent costs
The Consolidated Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation
With the exception of freehold land and mining property and development assets, depreciation is charged to the income statement on a straight-line basis over the estimated life of the asset, using rates per annum as set out below:

	2011	2010
Buildings	33%	33%
Plant & equipment	33%	33%
Leased plant & equipment	25%	25%

Land is not depreciated. Mining property and development assets are amortised on a units of production basis over the life of the economically recoverable reserves. Exploration and development costs for reserves not yet in production are not amortised.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise 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 assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note, accounting policy note 3(h)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to mining property and development assets within property, plant and equipment.

(e) Trade and other receivables

Trade and other receivables are initially recorded at fair value and stated at their amortised cost less impairment losses (see impairment note, accounting policy note 3(h)).

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Impairment

The carrying amounts of the Consolidated Group's assets, trade and other receivable note 3(e), inventories (see accounting policy note 3(f)) and deferred tax assets (see accounting policy note 3(o)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of the Consolidated Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the higher of their 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, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Impairment (cont.)

An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

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

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

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

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(j) Employee benefits

(i) Long-term service benefits

The Consolidated Group's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated Group's obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Employee benefits (cont.)

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Share-based payment transactions
The share option programme allows Consolidated Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black - Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iv) Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(k) Provisions
A provision is recognised in the balance sheet when the Consolidated Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Mine rehabilitation
Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cashflows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Provisions (cont.)

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the income statement in the period in which it occurs.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

(l) Trade and other payables

Trade and other payables are stated at their amortised cost.

(m) Revenue

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(n) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

(iii) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company and its wholly-owned Australian resident entity have formed a tax-consolidated group with effect from 9 April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Mines Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Income tax (cont.)

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Accounting estimates and judgments

Management discussed with the Board the development, selection and disclosure of the Consolidated Group's critical accounting policies and estimates and the application of these policies and estimates.

Note 24 contains detailed analysis of the interest rate and liquidity risk of the Consolidated Group.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The significant estimates are as follows:

(i) Mine rehabilitation and site restoration provision

The Consolidated Group assesses its mine rehabilitation provision at each balance date in accordance with accounting policy 3(k). Significant judgement is required in determining the provision for mine rehabilitation. Factors that will affect this liability include, changes in technology and price increases. When these factors change, such differences will impact the site rehabilitation provision and asset in the period in which they change.

(ii) Fair value of derivative instruments

The Consolidated Group assesses the fair value of its derivatives at each balance date in accordance with accounting policy 3(s) and Note 24. Fair values have been determined based on market conditions existing at the time of the audit. These calculations require the use of estimates and assumptions. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values and the profit and loss in the period in which they change or become known.

(iii) Fair Value of Share Based Payment Transactions

The fair value of the employee option plan is measured using the Black Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, risk-free interest rate.

The significant judgements are as follows:

(i) Impairment of exploration and evaluation assets.

The ultimate recoupment of the value of exploration and evaluation assets is dependent of successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Consolidated Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of those assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Accounting estimates and judgements(cont.)

The key issues that are considered in this review include:

- Recent drilling results and reserves and resources estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of the underlying assets that may be available;
- Fundamental economic factors such as the gold and nickel price, exchange rates and current and anticipated operating costs in the industry; and
- The Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate. In addition, an allocation of the costs of acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement as to the value of these projects acquired.

(ii) Fair Value of Financial and Equity Instruments

The fair value of the financial liability in relation to the Tranche 2 shares to be issued as part of the acquisition of the exploration assets in Nigeria Gold Pty Ltd is measured using a binomial formula. Measurement inputs include share price on measurement date, number of shares to be issued in accordance with the achievement of performance milestones as outlined in Note 11 and the probability of achieving those milestones as determined by the Board.

The fair value of the equity instruments in relation to Tranche 3 shares to be issued as part of the acquisition of the exploration assets in Nigeria Gold Pty Ltd is measured using a binomial formula. Measurement inputs include share price on measurement date, number of shares to be issued in accordance with the achievement of the performance milestone as outlined in Note 11, the probability of achieving that milestone as determined by the Board and using the company's cost of capital adjusted for the specific risks related to the transaction.

(r) Share capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(s) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Financial instruments (cont.)

A financial instrument is recognised if the Consolidated Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised if the Consolidated Group's contractual rights to the cash flows from the financial assets expire or if the Consolidated Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sale decision based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(t) Segment reporting

An operating segment is a component of the Consolidated Group that engages in business activities of which it may earn revenue and incur expenses. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(u) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Non-current assets once classified as held for sale or distribution are not amortised or depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(v) Issued standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

(i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard

(ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

(iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.

(iv) AASB 11 *Joint Arrangements*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(v) Amended AASB 119 *Employee Benefits*, which becomes mandatory for the Group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $000	2010 $000
4. OTHER INCOME		
Gain on sale of fixed assets	24	627
	24	627
5. OTHER EXPENSES		
Depreciation and amortisation of:		
Plant and equipment	18	18
Plant and equipment leased	3	3
	21	21
Impairment of Exploration:		
Impairment of Exploration	2,028	-

The impairment charge was made to the cost of exploration and represents a reduction in carrying value of the Australian tenements due to the continuing lower price of nickel.

	2011 $000	2010 $000
6. PERSONNEL EXPENSES		
Wages and salaries	456	265
Non-executive directors fees	145	70
Other associated personnel expenses	9	74
Contributions to superannuation funds	44	28
Increase/(decrease) in liability for leave	21	(4)
Employee option expenses	110	114
	785	547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

7. AUDITOR'S REMUNERATION

Audit services	2011 $	2010 $
Auditors of the company – KPMG Australia		
- Audit and review of financial reports	55,000	40,291
Total for year	55,000	40,291

8. NET FINANCING COSTS

	2011 $000	2010 $000
Interest income	46	58
Financial income	46	58
Interest expense/reversal	78	20
Interest on finance leases	(2)	(47)
Financial expenses	76	(27)
Net financing income/(expense)	122	31

9. INCOME TAX EXPENSE

Current tax expense/(benefit)		
Current year	(596)	(443)
Adjustment for prior periods	-	(5)
	(596)	(448)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	(283)	281
Current year losses for which no deferred tax asset was recognised	879	167
	596	448
Total income tax in income statement	-	-

Numerical reconciliation between tax expense and pre-tax profit		
Profit/(loss) for the period	(3,095)	(129)
Income tax benefit using the domestic corporate tax rate of (30%) (2010:30%)	(928)	(39)
Increase in income tax expense due to:		
Non-deductible expenses	44	14
Change in unrecognised temporary differences	288	(418)
Tax losses not brought to account	596	448
Under/over provision in prior years	-	(5)
Income tax expense	-	-

9. INCOME TAX EXPENSE (cont.)

	2011 $000	2010 $000
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	5,266	4,387

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Group can utilise the benefits from.

Recognised deferred tax assets and liabilities
The balance comprises temporary differences attributable to:

	2011 $000	2010 $000
Amounts recognised in profit or loss		
Exploration	(2,800)	(3,123)
Property plant and equipment	-	16
Capital raising costs	92	122
Provisions	103	97
Tax losses	2,605	2,888
Net deferred tax assets	-	-

	2011 $000	2010 $000
Movements in temporary differences		
Exploration	323	(382)
Property plant and equipment	(16)	(9)
Capital raising costs	(30)	91
Provisions	6	19
Total movement in temporary differences	283	(281)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10. EARNINGS PER SHARE

	2011	2010
Basic earnings/(loss) per share (cents)	(0.731)	(0.041)

The calculation of basic earnings per share at 30 June 2011 was based on the continuing operations loss attributable to ordinary shareholders of $3,095,000 (2010 loss: $129,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 423,546,575 (2010: 314,344,862), calculated as follows:

Number of ordinary shares	**2011**	**2010**
Issued ordinary shares at 1 July	6,981,662,168	456,806,396
Reduction on consolidation of shares	(6,632,579,060)	-
Placement and entitlements issue	-	5,614,144,772
Exercise of options	877	61,000
Placement	47,826,332	910,650,000
Issued for acquisition of subsidiaries	180,000,000	-
Issued ordinary shares at 30 June	576,910,317	6,981,662,168
Weighted average number of ordinary shares at 30 June	**423,546,575**	**314,344,862**

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2011 was based on loss attributable to ordinary shareholders of $3,095,000 (2010: $129,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 423,546,575 (2010: 314,344,862). There were a further 73,126,252 potential ordinary shares on issue at 30 June 2011, that are not considered dilutive as the Consolidated Group made a loss for the year ended 30 June 2011.

11. ACQUISITION

On 9 March 2011 the Company acquired the assets of NGL and Mines Geotechniques Limited ("MGL") by way of purchase of 100% of the issued share capital in NGL. The transaction has been treated as an asset acquisition as no business, as defined in AASB 3 *Business Combinations*, was identified within NGL or MGL and the directors intention was to acquire the mining rights to further explore.

The Company entered into a contract to acquire 100% of the issued share capital in NGL. The payment for the acquisition was to be made through two tranches of shares as detailed below:

Tranche 1 – unconditional issue of 180 million fully paid ordinary Australian Mines shares on 9 March 2011 for 81% of the total NGL issued share capital. Australian Mines was committed to purchasing the remaining 19% as at 9 March 2011. Refer Note 22 for impact on share capital.

Tranche 2 – conditional issue of between 15 million and 120 million fully paid ordinary Australian Mines shares for the remaining 19% of the issued share capital of NGL based on the following performance milestones:

Conditions to issue securities	**NGL secures approval for at least 2 high priority Exploration license**	**NGL does not obtain approval for at least 2 high priority Exploration license**
- If Australian Mines achieves certain milestones from its Australian gold assets:	Issue 30,000,000 fully paid ordinary Australian Mines shares	Issue 15,000,000 fully paid ordinary Australian Mines shares
- If Australian Mines fails to achieve certain milestones from its Australian gold assets	Issue 120,000,000 fully paid ordinary Australian Mines shares	Issue 60,000,000 fully paid ordinary Australian Mines shares

The variable number of shares to be issued reflects the intention of the Directors to pay a specified value for the remaining 19% of NGL based on the impact of the achievement of the performance milestones on the values of each company. The performance milestones are linked transactions as they occur in the same period and as such Tranche 2 is classified as a financial liability in accordance with AASB 132 *Financial Instruments: Presentation.* The fair value of this liability has been determined as at 9 March 2011 using a binomial valuation model and applying the share price as at 9 March 2011 and a probability to each of the performance milestones. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* the financial liability has been measured as at 30 June 2011 and the decrease in the value of the liability recorded against the exploration and evaluation asset. Refer Note 18 for liability recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

11. ACQUISITION (cont.)

Tranche 3 – conditional issue of an additional 36 million fully paid ordinary Australian Mines shares if exploration results identify NGL's JORC Indicated Resource of 500,000 ozs of gold within 2 years of acquisition. Tranche 3 is classified as an equity instrument in accordance with AASB 132 as a fixed number of shares will be issued. This has been valued with reference to the price of Australian Mines shares on 9 March 2011, adjusting for an appropriate discount rate taking into account the 2 year delay on payment and the Directors assessment of the probability of the performance milestone being achieved. Refer Note 22 for impact on share capital reserve.

12. CASH AND CASH EQUIVALENTS

	2011 $000	2010 $000
Bank balances	595	1,322
Deposits – Restricted security bonds	221	256
Cash and cash equivalents in the statement of cash flows	816	1,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

13. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2011 $000	2010 $000
Cash flows from operating activities:		
Net profit/(loss)	(3,095)	(129)
Add/(less) items classified as investing/financing activities:		
Profit on sale of assets	(24)	(627)
Depreciation, amortisation and Impairment charges	21	21
Impairment exploration	2,028	-
Option expense	110	113
Movement in operating assets and liabilities:		
(Increase)/decrease in receivables	(39)	5
Increase/(decrease) in payables	(67)	(3,807)
Increase/(decrease) in employee leave provisions	21	(4)
Net cash provided by operating activities	(1,045)	(4,428)

14. TRADE AND OTHER RECEIVABLES

	2011 $000	2010 $000
Current		
Other debtors and prepayments	72	-

15. NON-CURRENT ASSETS HELD FOR SALE

The Australian mining tenements held by the consolidated entity have been reclassified as assets held for sale. The provision for rehabilitation is related to these tenements.

Efforts to sell these assets have commenced, and an agreement has been reached for the sale of a large portion of the tenements. An impairment loss of $2,028,000 has been recognised in the current year, to reduce the carrying value of these assets to its fair value.

	2011 $000	2010 $000
Assets classified as held for sale -		
Exploration expenditure	9,207	-
Liabilities classified as held for sale -		
Provision for mine rehabilitation	275	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

16. EXPLORATION AND EVALUATION ASSETS

	2011 $000	2010 $000
Exploration and evaluation		
Opening balance	10,408	9,134
Disposals	-	-
Acquisition of tenements (refer note 11)	4,579	-
Expenditure incurred for year	954	1,274
Reclassified as assets held for sale	(9,207)	-
Exploration expenditure Impairment	(2,028)	-
Exploration costs carried forward	4,706	10,408

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

17. PROPERTY, PLANT AND EQUIPMENT

	2011 $000	2010 $000
Plant & equipment		
At cost	200	77
Accumulated depreciation	(130)	(64)
	70	13
Leased plant & equipment		
At cost	30	220
Accumulated depreciation	(26)	(173)
	4	47
Total property, plant and equipment	74	60

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2011 $000	2010 $000
Plant and equipment		
Carrying amount at beginning of year	13	29
Additions	99	2
Disposals	(24)	-
Depreciation	(18)	(18)
Carrying amount at the end of Year	70	13
Plant and equipment leased		
Carrying amount at beginning of year	46	942
Additions	-	-
Disposals	(39)	(892)
Amortisation	(3)	(3)
Carrying amount at end of year	4	47
Total property, plant and equipment	74	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $000	2010 $000
18. TRADE AND OTHER PAYABLES		
Current (unsecured)		
Trade creditors and accruals	127	327
Balance payable for purchase of subsidiaries (Tranche 2 shares – refer note 11)	684	-
Other creditors and accruals	35	-
	846	327

	2011 $000	2010 $000
19. INTEREST-BEARING LIABILITIES		
Current liabilities		
Lease liabilities	4	3
	4	3
Non current		
Lease liabilities	-	4
	-	4

Finance lease liabilities are secured over the leased asset and are payable as follows:

	Minimum lease payments 2011 $000	Interest 2011 $000	Principal 2011 $000	Minimum lease payments 2010 $000	Interest 2010 $000	Principal 2010 $000
Less than one year	4	-	4	4	1	3
Between one and five years	-	-	-	4	-	4
	4	-	4	8	1	7

	2011 $000	2010 $000
20. EMPLOYEE BENEFITS		
Current		
Liability for annual leave	26	31
Liability for sick leave	12	15
Liability for long service leave	29	-
	67	46

Share based payments

The Board introduced the Australian Mines Limited Employee Option Plan in 2004, an equity-based employee option scheme, to promote continuity of employment and to provide additional incentive to increase shareholder wealth. Equity-based employee option schemes are provided as options over ordinary shares of the Company and may be issued to directors, executives and employees.

20. EMPLOYEE BENEFITS (cont.)

Share based payments (cont.)

Persons eligible to participate in the Australian Mines Employee Option Plan ('Plan') include Directors (subject to shareholder approval) and all employees of the Company. Options are granted under the plan for no consideration for a maximum period of 5 years and can be exercised at any time between the date the option is granted and the expiry date.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the options. An option holder is required to exercise options in order to participate in any new issue of securities offered to shareholders by the Company for subscription on a pro rata basis.

Options are only capable of exercise if the minimum service period is met. The minimum service period will be waived so as to not be applicable in the event of a takeover offer or a merger of the Company. Each option exercised will entitle the holder to one ordinary share in the capital of the Company.

Where the employee ceases for any reason to be employed with the Company, all unexercised options automatically expire 14 days after the date of ceasing to be employed.

There is presently no stated policy restricting Directors or Executives from limiting their exposure to risk in relation to options granted.

Due to the consolidation of capital in November 2010, the numbers of options on issue were divided by 20 and the exercise price was increased by a multiple of 20. Other than this, no terms of options terms have been altered or modified during the year or the prior year.

As a result of the plan, there are currently 13,562,500 unissued shares of the Company under option. The fair value of the options is estimated at the date of grant using the Black-Scholes model. There were no options issued under the plan during the year 30 June 2011.

The options outstanding as at 30 June 2011 have an exercise price in the range of $0.06 to $2.50 (2010: $0.06 to $2.50) and a weighted average remaining contractual life of 3.38 years (2010: 4.38 years)

Terms and Conditions of Options Granted to Directors/Employees as Remuneration:

Grant Date	Vesting Date	Number Granted	On Issue at 30 June 2011	Exercisable at 30 June 2011	Exercise Price ($)	Expiry Date
29 Nov 2006	29 Nov 2006	162,500	75,000	75,000	1.00	31 Dec 2011
29 Nov 2006	31 Dec 2007	162,500	162,500	162,500	1.50	31 Dec 2011
29 Nov 2006	31 Dec 2008	162,500	162,500	162,500	2.00	31 Dec 2011
29 Nov 2006	31 Dec 2009	162,500	162,500	162,500	2.50	31 Dec 2011
27 Nov 2009	31 Dec 2009	3,250,000	3,250,000	3,250,000	0.06	31 Dec 2014
27 Nov 2009	31 Dec 2010	3,250,000	3,250,000	3,250,000	0.08	31 Dec 2014
27 Nov 2009	31 Dec 2011	3,250,000	3,250,000	-	0.10	31 Dec 2014
27 Nov 2009	31 Dec 2012	3,250,000	3,250,000	-	0.12	31 Dec 2014
		13,650,000	13,562,500	7,062,500		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

20. EMPLOYEE BENEFITS (cont.)

Share based payments (cont.)

The number and weighted average exercise price of employee share options is as follows:

	Exercise price 2011	Number of options 2011	Exercise price 2010	Number of options 2010
Outstanding at 1 July	0.84c	272,000,000	9.22c	12,000,000
Consolidation of 20:1		(258,400,000)		-
	16.74c	13,600,000		
Granted during the year		-	0.45c	260,000,000
Forfeited during the year	$1.50	(37,500)		-
Outstanding at 30 June	16.37c	13,562,500	0.84c	272,000,000
Exercisable at 30 June	21.31c	7,062,500	1.69c	76,250,000

21. PROVISIONS

	2011 $000	2010 $000
Non current		
Mine rehabilitation:		
Opening balance	275	213
Additions	-	62
Reclassified as liability held for sale	(275)	-
Closing balance	-	275

22. CAPITAL AND RESERVES

	2011 $000	2010 $000
Issued and paid up capital		
576,910,317 (2010: 6,981,662,168 prior to 20:1 consolidation)ordinary shares, fully paid	31,674	26,479
Reconciliation of contributed equity		
Balance at beginning of year	26,479	21,119
Shares issued during the year:		
Non-renounceable rights issue of 3,197,644,772 shares[1] at 0.1 cent	-	3,198
Placement of 2,416,500,000 shares[1] at 0.1 cent	-	2,416
Placement of 910,650,000 shares[1] at 0.1 cent	-	911
Placement of 47,826,332 shares at 2.3 cents	1,100	-
Issue of 180m shares to purchase subsidiaries (Tranche 1 shares – refer note 11)	4,140	-
Options issued to shareholders	-	(169)
Costs of capital raising	(45)	(996)
Balance at end of year	31,674	26,479

The Company does not have authorised capital or par value in respect of its issued shares.

[1] Prior to 20:1 consolidation of capital

22. CAPITAL AND RESERVES (cont.)

	2011 $000	2010 $000
Foreign Exchange Reserve		
Balance at beginning of year	-	-
Effect of exchange rate changes on balance sheet	52	-
Balance at end of year	52	-
Share Capital Reserve		
Balance at beginning of year	-	-
Recognition of Tranche 3 shares – refer note 11	30	-
Balance at end of year	30	-
Share Option Reserve		
Balance at beginning of year	169	-
Options issued to shareholders	-	169
Balance at end of year	169	169
Share Based Payments Reserve		
Balance at beginning of year	882	223
Share based payment employees/directors transactions	110	113
Options issued to underwriter	-	546
Balance at end of year	992	882
Total Reserves	1,243	1,051

The Foreign Exchange Reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations.

The Share Option Reserve represents the cost of options issued to shareholders.

The Share Based Payment Reserve represents the fair value of share options granted. The estimate of fair value of the services received is based on the Black-Scholes model. The calculated fair value is based on parameters as set out in Section 11 in the Directors' Report.

The fair value of options issued to the underwriter and the shareholders was $0.0006 per option. This valuation was based on the Black Scholes options pricing model using the share price of $0.001, exercise price of $0.002, risk free rate of 4.61%, volatility of 100% and the issue date of 11/8/09.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

22. CAPITAL AND RESERVES (cont.)

Listed Options

Options at 1 July 2010	1,191,288,839
Reduction on consolidation of capital	(1,131,724,210)
	59,564,629
Options converted	(877)
Closing balance 30 June 2011	59,563,752

Unlisted Options

During the year there were no unlisted options issued to executives of the Company under the Employees Option Plan (see note 20). However, due to the consolidation of capital, the numbers of options on issue were divided by 20 and the exercise price was increased by a multiple of 20.

	2011 $000	2010 $000
23. ACCUMULATED LOSSES		
Balance at beginning of period	(16,139)	(16,010)
Net profit/(loss)for the year	(3,095)	(129)
Accumulated losses at end of period	(19,234)	(16,139)

24. FINANCIAL RISK MANAGEMENT

Overview

The Consolidated Group has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Liquidity risk
- Credit risk
- Currency risk

This note presents information about the Consolidated Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk of the management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Consolidated Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Group's activities.

The Consolidated Group does not enter into financial instruments for trade or speculative purposes. However in the normal course of its business, it is exposed to liquidity risks and interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24. FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

The Consolidated Group does not have a policy in place to hedge interest rate risks.

The Consolidated Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate	6 months or less $'000	6 – 12 months $'000	1 to 5 years $'000	Non-interest bearing $'000	Total $'000
2011						
Financial assets						
Cash and cash equivalents	4.70% (variable)	816	-	-	-	816
Trade and other receivables		-	-	-	72	72
		816	-	-	72	888
Financial liabilities						
Trade and other payables		-	-	-	846	846
Lease liabilities (current)	12.19% (fixed)	2	2	-	-	4
		2	2	-	846	850
2010						
Financial assets						
Cash and cash equivalents	4.80% (variable)	1,578	-	-	-	1,578
Trade and other receivables		-	-	-	-	-
		1,578	-	-	-	1,578
Financial liabilities						
Trade and other payables		-	-	-	327	327
Lease liabilities (current)	12.19% (fixed)	1	2	-	-	3
Lease liabilities (non-current)	12.19% (fixed)	-	-	4	-	4
		1	2	4	327	334

24. FINANCIAL RISK MANAGEMENT (cont.)

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on annual profits, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year:

	2011 $000	2010 $000
Net financial assets subject to variable interest rates	816	1,578
Increase in profits resulting from a 1%pa increase in variable interest rates	8	16
(Decrease) in profits resulting from a 1%pa decrease in variable interest rates	(8)	(16)

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Consolidated Group manages its liquidity risk by monitoring cashflows using monthly cashflow forecasts and by paying creditors on 30 day terms.

The following are the Consolidated Group's contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 to 12 months $'000	1 to 5 years $'000
2011					
Trade and other payables	846	846	846	-	-
Loans secured	-	-	-	-	-
Lease liabilities	4	4	2	2	-
	850	850	848	2	-
2010					
Trade and other payables	327	327	327	-	-
Loans secured	-	-	-	-	-
Lease liabilities	7	8	2	2	4
	334	335	329	2	4

24. FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's cash held at banks. The Consolidated Group lodges its cash deposits with international banks of good standing.
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was as follows:

	Carrying Amount 2011	Carrying Amount 2010
	$000	$000
Cash at bank	816	1,578
Debtors and prepayments	72	-
	888	1,578

(d) Currency risk

The Consolidated Group is exposed to currency risk on receivables and borrowings that are denominated in a currency other than the Australian Dollar. The Group minimises this risk by limiting funds held in overseas bank accounts and paying its creditors promptly.
The Group's exposure to foreign currency risk on Nigerian Naira which have been translated to Australian Dollars at 30 June 2011 was as follows:

	AUD $000	Naira N000
Cash at bank	2	303
Debtors and prepayments	60	9,694
Intercompany loans payable	(607)	(98,694)
Creditors and accruals	(22)	(3,537)
	(567)	(92,234)

(e) Capital management

The Consolidated Group monitors its capital performance and reviews its adequacy at regular intervals to ensure it is achieving a reasonable return on capital. There are no externally imposed capital requirements. The directors monitor the market capitalisation and net assets of the Consolidated Group to ensure performance is maintained for shareholders.

24. FINANCIAL RISK MANAGEMENT (cont.)

(f) Fair values

The fair values of significant financial assets and liabilities equate to the carrying amounts shown in the balance sheet.

The carrying values for assets capitalised in the balance sheet have been confirmed as reasonable by various measures and include valuations prepared by 3rd parties, peer group comparison and also market values being achieved for sale of assets.

25. COMMITMENTS

	2011 $000	2010 $000
Exploration expenditure Commitment		
Within one year	1,202	1,065

In order to maintain current rights of tenure to exploration tenements in Australia, the Consolidated Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial statements and are payable as stated in the table above.

There are no minimum exploration requirements on the Nigerian tenements, but there is a commitment to an annual rental which is included above.

26. CONTINGENT LIABILITIES

The Company's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Company.

The previous shareholders of Nigeria Gold Pty Ltd are claiming entitlement to an additional 60,000,000 shares in Australian Mines Limited on the basis that the Consolidated Group has been granted two high priority tenements. However the Company has not granted these additional shares because only 56 km^2 was granted out of the 167 km^2 applied for, and therefore the independent directors are seeking legal advice regarding whether the milestone was achieved as set out in the terms of the transaction approved by Shareholders on 9 March 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

27. SUBSEQUENT EVENTS

In accordance with the agreement to acquire Nigeria Gold Pty Ltd in March 2011, an additional 60,000,000 shares were issued at market price on 4 August 2011 to the previous shareholders of Nigeria Gold Pty Ltd. The liability for the issue of these shares was recognised at 30 June 2011, by the amount of $684,000 included in current liabilities.

On 29 July 2011 the Company signed an agreement to sell the Mt Martin goldmine and surrounding tenements for $7,500,000 cash. The payment terms are set out below. This agreement was superseded on 30 September 2011 by the formal sale of mineral interests agreement. The key terms of this agreement are:

- An initial deposit of $250,000 received in August 2011,
- An instalment of $2,250,000 to be paid within 30 days of 30 September 2011,
- Two further instalments of $2,500,000 each on 30 June 2012 and 30 June 2013,
- The finalisation of the conditions precedent within six months from 30 September 2011, and
- Should the transaction not be completed within the six months from 30 September 2011, any consideration paid to the company must be returned plus interest.

The Directors are confident that the conditions will be met and the transaction will progress as planned.

There were no other material events subsequent to balance date.

28. CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest 2011	Ownership interest 2010
Parent entity			
Australian Mines Limited	Australia		
Subsidiaries			
Blair Nickel Mine Pty Ltd	Australia	100%	100%
Nigeria Gold Pty Ltd	Australia	100%	-
Mines Geotechniques Ltd	Nigeria	100%	-

29. INTEREST IN UNINCORPORATED JOINT VENTURES

The Consolidated Group has a 44% (2010:44%) interest in nickel rights in the Golden Ridge Joint Venture. The amount paid toward the Joint Venture this year was $182,000 (2010: $61,000).

30. SEGMENT INFORMATION

The Company operates predominantly in two reportable geographical segment being mining and exploration activities in Australia and Nigeria.

It has expanded its geographical segment from Western Australia into Nigeria during the current year. Chief operating decision-maker assessments are based upon mineral results from exploration activities by region. Internal reporting to key decision makers has changed during the current year to show exploration activities in Western Australia separately from those in Nigeria.

	Australian Exploration	Nigerian Exploration	Treasury	Total
For the Year Ended 30 June 2011				
External Revenue	24	-	46	70
Impairment expense	(2,028)	-	-	(2,028)
Segment Profit/(Loss)	(2,004)	-	122	(1,882)
Reconciliation of reportable segments:				
- Corporate charges				(1,082)
- Depreciation				(21)
- Share-based payment expenses				(110)
Loss before Income Tax				(3,095)
As at 30 June 2011				
Segment assets	9,207	4,706	816	14,729
Reconciliation of reportable segments:				
Unallocated assets:				
- Trade and other receivables				72
- Plant and equipment				74
Total Assets				14,875
Segment asset increases for the period:				
- Tenement expenditure	827	4,706		
Segment liabilities	275	-	688	963
Reconciliation of reportable segments:				
Unallocated liabilities				
- Trade and other payables				162
- Employee Benefits				67
Total Liabilities				1,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

31. PARENT ENTITY DISCLOSURES

Australian Mines Limited	**2011 $000**	**2010 $000**
STATEMENT OF FINANCIAL POSITION		
Current Assets	514	1,315
Non-Current Assets	13,362	7,220
Total Assets	13,876	8,535
Current Liabilities	875	89
Non-Current Liabilities	-	7
Total Liabilities	875	96
Net Assets	**13,001**	**8,439**
EQUITY		
Contributed equity	31,674	27,194
Share option reserves	1,191	336
Accumulated losses	(19,862)	(19,091)
TOTAL EQUITY	**13,001**	**8,439**
STATEMENT OF COMPREHENSIVE INCOME		
Other income	710	273
Depreciation	(16)	(21)
Impairment of exploration	(527)	-
Corporate overheads and indirect expenses	(980)	(759)
Results from operating activities	(813)	(507)
Net financing income/(costs)	40	68
Profit loss before income tax	(773)	(439)
Income Tax	-	-
Profit/Loss attributable to equity holders of the Company	**(773)**	**(439)**
Other comprehensive income	**-**	**-**
Total Comprehensive Income	**(773)**	**(439)**
COMMITMENTS		
Exploration expenditure Commitment		
Within one year	11	11

In order to maintain current rights of tenure to exploration tenements in Australia, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as stated in the table above.

31. PARENT ENTITY DISCLOSURES (cont.)

CONTINGENT LIABILITIES

The Company's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Company.

The previous shareholders of Nigeria Gold Pty Ltd are claiming entitlement to an additional 60,000,000 shares on the basis that the Consolidated Group has been granted two high priority tenements. However the Company has not granted these additional shares because only 56 km^2 was granted out of the 167 km^2 applied for, and therefore the independent directors are seeking legal advice regarding whether the milestone was achieved as set out in the terms of the transaction approved by Shareholders on 9 March 2011.

32. RELATED PARTIES

The following were key management personnel of the group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non Executive Directors
Mr M Ramsden – Chairman from March 2011
Mr M Elias
Mr D Marinelli – from March 2011
Mr N F Warburton – Chairman until March 2011
Executive Director
Mr M B Young – Non-executive director after August 2011
Executives
Mr D Aliyu – Nigerian Manager
Ms S Grice - Company Secretary from June 2011
Mr E Poole - Exploration Manager until February 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. RELATED PARTIES (cont.)

The key management personnel compensation included in 'personnel expenses' (see Note 6) is as follows:

	2011 $000	2010 $000
Short-term employee benefits	500	386
Post-employment benefits	32	48
Long term benefits	29	-
Share based payments	109	113
	670	547

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' compensation and some equity instruments disclosures are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Consolidated Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Options and rights over equity instruments
The movement in options over ordinary shares held directly, indirectly or beneficially by each key management person is as follows:

	Held at 1 July 2010	Reduction on Consolidation of Capital	Exercised	Held at Resignation	Held at 30 June 2011	Vested during the year	Exercisable at 30 June 2011
Directors							
N Warburton	83,000,000	(78,850,000)	-	-	4,150,000	1,000,000	1,150,000
M Elias	62,250,000	(59,137,500)	-	-	3,112,500	750,000	1,612,500
B Young	126,000,000	(119,700,000)	-	-	6,300,000	1,500,000	3,300,000
Executives							
E Poole	750,000	(712,500)	-	37,500	-	-	-

No options were granted during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

32. RELATED PARTIES (cont.)

Options and rights over equity instruments (cont.)

	Held at 1 July 2009	Granted as remuneration	Exercised	Held at Resignation	Held at 30 June 2010	Vested during the year	Exercisable at 30 June 2010
Directors							
N Warburton	3,000,000	80,000,000	-	-	83,000,000	21,000,000	23,000,000
M Elias	2,250,000	60,000,000	-	-	62,250,000	15,750,000	17,250,000
B Young	6,000,000	120,000,000	-	-	126,000,000	31,500,000	36,000,000
Executives							
E. Poole	750,000	-	-	-	750,000	-	750,000

Movement in shares

The movement during the reporting period in the number of ordinary shares held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2010	Reduction on Consolidation of Capital	Purchases	Sales	Held at resignation	Held at 30 June 2011
Directors						
M Ramsden (i)	-	-	13,682,776	-	-	13,682,776
N Warburton (ii)	82,331,258	(78,214,694)	-	-	-	4,116,564
M Elias (iii)	16,806,310	(15,965,994)	200,000	-	-	1,050,316
D Marinelli (iv)	-	-	15,132,381	-	-	15,132,381
B Young (v)	140,700,270	(133,665,256)	-	-	-	7,035,014
Executives						
D Aliyu	-	-	26,605,090	-	-	26,605,090
S Grice	-	-	1,050,000	-	-	1,050,000
E Poole	250,000	(237,500)	-	-	12,500	12,500

(i) Mr M Ramsden has a relevant interest in the following shares – 1,689,203 shares owned by Pacrim Investment Consultants Pty Ltd as trustee for Pacrim Superannuation Fund, 4,392,684 held by Terrain Capital Limited. 7,600,889 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust. (The Ramsden Family Trust also holds 1,489,045 shares in trust for an unrelated party).

(ii) 1,946,563 shares in which Mr N Warburton has a relevant interest are owned by Michlange Pty Ltd as trustee for the Warburton Family Trust and 2,170,001 are held by Michlange Pty Ltd as trustee for the Warburton Super Fund.

(iii) 1,040,316 shares in which Mick Elias owns an interest are in the name of Elias Super Fund.

(iv) Mr D Marinelli has a relevant interest in the following shares – 4,392,685 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monta Amaro Super Fund, and 10,739,696 shares held by Dominic Orlando Marinelli as trustee for The Monte Acquaviva Trust. (The Monte Acquaviva Trust holds another 744,522 shares in trust for an unrelated party.)

(v) 3,204,218 shares are owned in the name of the B Young Superannuation Fund and 3,830,796 shares are owned by Costo Pty Ltd as trustee for the M B Young Family Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

32. RELATED PARTIES (cont.)

Movement in shares (cont.)

	Held at 1 July 2009	Purchases and Entitlements	Received on exercise of options	Sales	Held at resignation	Held at 30 June 2010
Directors						
N Warburton	33,800,000	157,113,242	-	108,581,984	-	82,331,258
M Elias	1,250,000	15,556,310	-	-	-	16,806,310
B Young	4,184,294	136,515,976	-	-	-	140,700,270
Executives						
E Poole	250,000	-	-	-	-	250,000

Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel were as follows: -

Director	Transaction	2011 $000	2010 $000
Mr M Elias	Geological Consulting fees (A)	67	18
Amount owing to CSA Global Pty Ltd at 30 June		11	5
Amount owing to Mr D. Aliyu at 30 June (B)		10	-

(A) The Group used the geological services of CSA Global Pty Ltd, a company significantly influenced by Mr M Elias. Amounts were billed based on normal market rates for these types of services, and amounts are payable under normal monthly payment terms.

(B) Mr D. Aliyu provides funding to the Nigerian operations as required, and is reimbursed as soon as possible. No interest is payable on this funding.

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Australian Mines Limited ('the Company'):

(a) the consolidated financial statements and notes and the remuneration disclosures contained in the Remuneration report in the Directors' report, set out in section 11, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Consolidated Group as at 30 June 2011 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian accounting interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with International Reporting standards as disclosed in note 2(a)

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, as disclosed in note 2(a).

2 The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Operating Officer for the financial year ended 30 June 2011.

Dated at Perth the 30th day of September 2011.

Signed in accordance with a resolution of the directors:

D. Marinelli

Dominic Marinelli
Director

INDEPENDENT AUDIT REPORT

KPMG

Independent auditor's report to the members of Australian Mines Limited

Report on the financial report

We have audited the accompanying financial report of Australian Mines Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2011. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Mines Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Smout
Partner

Perth

30 September 2011

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

Australian Mines Limited ("The Company") and its Board are committed to achieving and demonstrating high standards of corporate governance. This statement sets out the main corporate governance practices of the Company during the financial year, providing disclosure in accordance with the Corporate Governance Principles and Recommendations 2nd edition August 2007 as published by the ASX Corporate Governance Council. All these practices, unless otherwise stated, were in place for the entire year. Disclosure is made at the end of this statement of areas of non compliance with the recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in The Company's website at www.Australianmines.com.au.

The Board of Directors and Management.
The Board has adopted a formal statement of its roles, functions and responsibilities.
The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities include:

- setting policy and strategic direction and adopting a corporate strategy;
- monitoring Company and management's performance against this strategy;
- overseeing control and accountability systems;
- identifying the principal risks and opportunities of the Company's business;
- ensuring appropriate risk management systems are established and reviewed;
- ensuring there are sufficient resources to meet objectives and strategies;
- approving and monitoring financial reporting, capital management and compliance;
- appointing senior management, monitoring senior management's conduct and performance and overseeing remuneration, development and succession;
- adopting procedures to ensure the business of the Company is conducted in an honest, open and ethical manner consistent with Company values;
- approving all significant business transactions;
- ensuring the Company meets its continuous disclosure obligations and that its shareholders have available all information reasonably required to make informed assessments of the Company's prospects;
- overseeing the Company's commitment to sustainable development, the environment, health and safety of employees, contractors, customers and the community;
- ensuring that the Board remains appropriately skilled to meet Company needs;
- reviewing and approving corporate governance systems; and
- delegating authority to management where appropriate.

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

The Board of Directors and Management (cont.)

This statement is included on the Company's website, and is to be reviewed annually to ensure it remains appropriate to the needs of the Company given its size, complexity and ownership structure and the skills of directors and managers.

The Board is also governed by the Company's Constitution and its various policies, as described elsewhere in this Statement.

A strategic balance is maintained between the responsibilities of the Board and the Chief Executive Officer.

Board Members
The Company currently has five directors, Michael Ramsden, Mick Elias, Dominic Marinelli, Neil Warburton and Brett Young. Details of these directors, including their skills, experience and terms of office are set out in the Company's annual report.

Mr Ramsden, and his personally-related entities, currently holds 3.22% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Elias owns approximately 0.16% of the shares of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Marinelli, and his personally-related entities currently holds 3.217%) of the Company. Although this is not a substantial shareholding, as of 12 August 2011 Mr Marinelli became an executive director and thereby in accordance with guidelines adopted by the Board he is not considered independent.

Mr Warburton, and his personally-related entities, currently holds 0.647% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Young was an executive director until August 2011, and is an officer of or otherwise associated with a current holding of 1.104% of the Company. Thereby in accordance with guidelines adopted by the Board he is not considered independent.

The Board has adopted a materiality threshold relating to a director's current or former association with a supplier, professional adviser or consultant to the Company. From the Company's viewpoint, material is more than 5% of the Company's total consolidated expenses for the relevant financial year. From the director's viewpoint when assessing an association, material is more than 5% of the total revenue of the supplier, adviser or consultant as the case may be.

The Board considers the make-up of the Board is appropriate given the Company's size and operations. The effectiveness of the Board is achieved through knowledge and experience specific to the business and the industry in which it operates.

Details of the members of the Board, their skills, experience, qualifications, term of office and independence status are set out in the Directors' Report under the heading "information on directors".

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

The Board of Directors and Management (cont.)

Directors' Independence
The Board has also adopted procedures intended to ensure that independent decision making occurs. All directors are entitled to seek independent professional advice, at the Company's cost, in carrying out their duties, subject to the chairperson's prior approval of the expenditure, which will not be unreasonably withheld. Further, in accordance with the *Corporations Act 2001* (Cth) and policies adopted by each member of the Board is required to keep the Board advised on an ongoing basis of any potential conflict of interest which may exist with the Company. If a conflict does exist, the director concerned must absent themselves from any Board discussion in relation to the relevant item and not vote upon such an item. Non-executive directors are also encouraged to confer on a needs basis without management in attendance.

Term of Office
The Company's Constitution specifies that all non executive directors must retire from office no later than the third annual general meeting following the last election. Where eligible, directors may stand for re-election.

Responsibilities of Management
The Chief Operating Officer is accountable to the Board for management of the Company and its subsidiaries within authority levels reviewed and approved by the Board each year, has authority to approve capital expenditure within predetermined limits set out by the Board, and is subject to the supervision of the Board. Material strategic and policy decisions are made by the Board.

The COO (who throughout the year was also Company Secretary) is responsible for maintaining financial control across the Company and its subsidiaries. This includes management reporting to the Board, statutory accounting, auditing, taxation and insurance. Financial performance is monitored against financial control guidelines.

The Board adopted its formal statement and its various policies in June 2005.

Independent Professional Advice
Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Indemnification and insurance of Directors and Officers
The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors.

Performance assessment
The Board Charter sets out the process to undertake an annual assessment of the Board's collective performance, the performance of the Chairman and its committees.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

Remuneration Committee

A Remuneration Committee was established by the Board prior to the 2004 – 2005 year. A majority of the members of the Committee are required to be non-executive directors and the Committee is required to be chaired by the non-executive Chairman.

The names of the members of the Remuneration Committee are Neil Warburton, Mick Elias and Brett Young. Their attendance at Remuneration Committee meetings during the 2010 – 2011 year is set out in the Company's annual report.

During the 2010 – 2011 year the Committee was chaired by Neil Warburton, the non-executive Chairman due to his experience and expertise in the areas in which the Company operates and his non-executive status, the Board considers that he is suitably skilled to perform the role of chair of the Remuneration Committee. The Committee did not consist of a majority of independent directors as there is only one independent director on the Board.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan which provides for the issue of options in the Company. Any allotment of options to directors must be approved by shareholders at a general meeting.

Details of the qualifications of directors of the remuneration committee and their attendance at Committee meetings are set out in the Directors' Report.

Audit Committee

The Company recognises the importance of an audit committee, however currently there is no audit committee in place. See comments made in the non-compliance statement.

External Auditors Policy

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditors is reviewed annually and applications for tender of external services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The Corporations Act 2001 requires the rotation of the audit engagement partner every five years.

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

Analysis of fees paid to external auditors, including a break-down of fees for non audit services, is provided in the Annual Report at Note 7 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Board. The external auditors are required to provide an annual declaration of their independence to the audit committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Nomination Committee

The Company recognises the importance of a nomination committee however currently there is no nomination committee in place. See comments made in the non-compliance statement.

Risk Assessment and Management

The Company has in place a risk assessment and management policy, which sets out the Company's systems for risk assessment and management. The key aspects of the policy are that:

- the Board oversees the establishment and implementation of risk management systems and control frameworks, and in the absence of a separate audit committee has the responsibility to establish, implement and maintain these systems and frameworks; and

- the Company's senior management are delegated the tasks of management of operational risk and the implementation of risk management strategies with the Chief Executive Officer and Chief Operating Officer/Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

The Board reviews the Company's risk management systems and control frameworks, and the effectiveness of their implementation, annually. The Board also considers the management of risk at its regular meetings. The Company's risk profile, which is assessed and determined on the basis of the Company's business in commercial mining and mineral exploration, is reviewed annually upon advice from management including, where appropriate, as a result of regular interaction with management and relevant staff from across the Company's business.

The Board or the Company's senior management may consult with the Company's external accountants on external risk matters as required.

The Company's risk management systems and control frameworks for identifying, assessing, monitoring and managing its material risks, as established by the Board in conjunction with management, include:

- the Board's ongoing monitoring of management and operational performance;
- a comprehensive system of budgeting, forecasting and reporting to the Board;
- approval procedures for significant capital expenditure above threshold levels;
- regular Board review of all areas of significant financial risk and all significant transactions not part of the Company's normal business activities;
- regular presentations to the Board by management on the management of risk;
- comprehensive written policies in relation to specific business activities;
- comprehensive written policies in relation to corporate governance issues;

Risk Assessment and Management (cont.)

- regular communication between directors on compliance and risk matters; and
- consultation and review processes between the Board and external accountants.

The Board requires each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Company has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

Environment, Health and Safety

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the board facilitates the systematic identification of environment and OH&S issues and ensures they are managed in a structured manner. This system allows the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environment and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan and an Emergency Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at Board Meetings.

Code of Conduct

The Company adopted, in 2002, the Australian Institute of Company Director's Code of Conduct ("**AICD Code**") to set appropriate standards of ethical and professional behaviour for its directors. In June 2005, the Company adopted a "Code of Conduct for Directors and Key Executives", which affirmed the Company's adoption of the AICD Code as appropriately setting the standards of ethical behaviour for directors. The Board will review compliance with this Code of Conduct every 12 months.

The Company's Code of Conduct for Directors and Key Executives prescribes standards including acting honestly and in good faith, exercising powers for a proper purpose, using due care and diligence, exercising independent judgment and avoiding a conflict of interest.

The Company has also adopted a "General Corporate Code of Conduct" ("**General Code**") which details the Company's commitment to appropriate corporate practices to its legitimate stakeholders and sets the standards expected of officers and employees in carrying out their duties.

The Company has in place a trading policy concerning trading in Company securities, a copy of which is provided to all officers and employees of the Company.

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

Code of Conduct (cont.)

The trading policy imposes certain restrictions on the Company's officers and employees trading in the Company's securities to prevent breaches of the insider trading provisions of the Corporations Act 2001 (Cth). The key aspects of the policy are that:

- trading in Company securities and other tradeable financial products is only permitted upon notification, in the case of employees, to the Company's Chief Executive Officer, Chief Operating Officer or, in the case of officers, to the Company's Chairman. If the Chairman wishes to trade he must notify the Company's Managing Director. Trading is only permitted for 2 weeks following notification and confirmation of trading must be provided to the Chief Executive Officer or Chairman (as the case may be);

- no trading is permitted at any time where an officer or employee is in possession of information which, if it was generally available, a reasonable person would expect to have a material effect on the price or value of the security or product, or for a period of 2 days following a public announcement by the Company in relation to the matter the subject of that information; and

- active dealing, being trading in a manner which involves frequent and regular trading, in the Company's securities is not permitted.

The trading policy is provided to all the Company officers and employees and compliance with it is reviewed at least annually. The Company's current trading policy was adopted in June 2005 but reflects the position adopted under its previous trading policies.

The implementation of and compliance with the Company's trading policy is dealt with in the procedures and mechanisms set out in the Company's risk assessment and management policy.

Continuous Disclosure and Shareholder Communication

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

In addition, at each of its meetings, the Board discusses continuous disclosure issues as a standing item and a list of all recent Company announcements is presented.

The continuous disclosure policy aims to ensure compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and the ASX Listing Rules. The aim of the policy is to:

- assess information and co-ordinate the timely disclosure to the ASX or the seeking of advice on the information;

- provide an audit trail of decisions regarding disclosure; and

- ensure officers and employees of the Company understand the obligation to bring relevant information to the attention of the chairperson.

Continuous Disclosure and Shareholder Communication (cont.)

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary. This continuous disclosure policy was adopted in June 2005 and reflects the position adopted under its previous continuous disclosure policies.

The Chief Operating Officer has been nominated as the person responsible for communication with Australian Securities Exchange(ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Directors, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Diversity Policy

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Currently there is one woman employee in a senior executive positions, and no others in the whole organisation or on the board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

CORPORATE GOVERNANCE STATEMENT 2010 – 2011

Non-Compliance Statement

The Company has not followed all of the recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departure are as follows:

Nomination Committee
The Board has not established a nomination committee as, due to the Company's size and its operations, the Board considers a separately established committee is not warranted and its functions and responsibilities can be adequately and efficiently discharged by the Board as a whole. The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a board comprising directors with a blend of skills, experience and attributes appropriate to the Company and its business. The main criterion for the appointment of directors is an ability to add value to the Company and its business. All directors appointed by the Board are subject to election by shareholders at the following annual general meeting of the Company.

Board Performance Report
A formal board performance was not undertaken during the year. This year was a period of uncertainty for the directors and the Board numbers were kept to a minimum.

Non Executive directors should not receive options.
Non-executive directors are eligible to participate in the Employee Share Option Plan however any allotment must be approved by shareholders at a general meeting of the Company. The board considers it important to offer non-executive directors an incentive for the ongoing to commitment and dedication to the growth of the Company.

Audit Committee
Although there is no separate audit committee and hence no formal charter, in fulfilling the functions and responsibilities of an audit committee, the Board considers and deals with matters which would ordinarily be attended to by an audit committee, including:

- to recommend engagement and monitor performance of the external auditor;
- to review the effectiveness of management information and internal control;
- to review all areas of significant financial risk and risk management;
- to review significant transactions not a normal part of the Company's business;
- to review financial information and ASX reporting statements; and
- to monitor internal controls and accounting compliance.

Australian Mines Limited
ABN 68 073 914 191

ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. Information regarding share and option holdings is current as at 27 September 2011.

a) Substantial Shareholders

There is no shareholder holding more than 5% of the total number of shares or options.

b) Ordinary Shareholders

Twenty largest holders of ordinary shares.	**Number of shares**	**% held**
Danjuma Aliyu	26,605,090	4.177
Inverness Gold SPV Limited	25,166,855	3.951
Forty Traders Limited	23,549,375	3.697
Mr D Marinelli (A)	20,176,510	3.167
Mr M Ramsden (B)	18,243,697	2.864
Mr D P Bowden & Mrs M Castillo	14,217,391	2.232
Siwel Capital Pty Ltd <The DLW Super Fund A/C>	12,632.135	1.983
Deveray Pty Ltd	12,386,789	1.945
Mr J P Leach	11,550,719	1.814
Abdulazeez Salawu	9,926,965	1.559
Mr D R Walker	9,926,965	1.559
Mr M D Tilley & Mrs M T Tilley	9,496,904	1.491
Balmerino Pty Ltd	8,809,737	1.383
Mr M B Young & Mrs T S Young (C)	7,035,014	1.105
ABN Amro Group # 685011	6,900,005	1.083
Mr L Bowden	6,521,739	1.024
Mr R Gemelli	6,060,000	0.951
Don Carroll	5,814,803	0.913
Mr L D Hine	5,400,000	0.848
Australian Mining & Finance Pty Ltd	4,963,482	0.779

(A) Mr D Marinelli has a relevant interest in the following shares - 5,856,910 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monta Amaro Super Fund, and 14,319,600 shares held by Dominic Orlando Marinelli as trustee for The Monte Acquaviva Trust. (The Monte Acquaviva Trust holds another 248,175 shares in trust for an unrelated party.)

(B) Mr M Ramsden has a relevant interest in the following shares - 2,252,270 shares owned by Pacrim Investment Consultants Pty Ltd as trustee for Pacrim Superannuation Fund, 5,856,908 held by Terrain Capital Limited , and 10,134,519 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust. (The Ramsden Family Trust also holds 1,985,394 shares in trust for an unrelated party).

(C) 3,204,218 shares are owned in the name of the B Young Superannuation Fund and 3,830,796 shares are owned by Costo Pty Ltd as trustee for the M B Young Family Trust.

ADDITIONAL ASX INFORMATION (CONTINUED)

Each fully paid ordinary share entitles the holder to one vote at general meetings of shareholders, and is entitled to dividends when declared.

The total number of shares on issue is 636,910,317 and there is no current on-market buy back.

Distribution of ordinary shareholders

Category of shareholding		Number of shareholders
1 – 1,000		880
1,001 – 5,000		1,034
5,001 – 10,000		324
10,001 – 100,000		1,967
100,001 and over		645
	Total	4,850

c) Quoted Securities

The Company has the following quoted securities on issue:

59,563,752 listed options expiring 30 June 2013 exercisable at $0.04 each

d) Unquoted Securities

The Company has the following unquoted securities on issue:

Directors' options expiring 31 December 2011
75,000 unlisted options expiring 31 December 2011 exercisable at $1.00 each
162,500 unlisted options expiring 31 December 2011 exercisable at $1.50 each
162,500 unlisted options expiring 31 December 2011 exercisable at $2.00 each
162,500 unlisted options expiring 31 December 2011 exercisable at $2.50 each

Directors' options expiring 31 December 2014
3,250,000 unlisted options expiring 31 December 2014 exercisable at $0.06 each
3,250,000 unlisted options expiring 31 December 2014 exercisable at $0.08 each
3,250,000 unlisted options expiring 31 December 2014 exercisable at $0.10 each
3,250,000 unlisted options expiring 31 December 2014 exercisable at $0.12 each

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