

AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015

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CORPORATE DIRECTORY

DIRECTORS

Michael Ramsden, Chairman
Benjamin Bell, Managing Director
Mick Elias, Non-Executive Director
Dominic Marinelli, Non-Executive Director
Neil Warburton, Non-Executive Director

COMPANY SECRETARY

Michael Ramsden

REGISTERED & PRINCIPAL OFFICE

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AUSTRALIAN MINES LIMITED 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 for the year ended 30 June 2015, 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 – Non-Executive 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 Limited in Australia, and has previously worked for international companies including CIBC Australia, JP Morgan and Scandinavian Pacific Investments Limited. He is also a director of the Victoria Racing Club Ltd, Chairman of Cremore Capital Ltd and formerly Chairman of Terrain Australia Ltd and Director of D&D Tolhurst Ltd. Mr Ramsden is a member of the Company's Remuneration Committee and Audit and Risk Committee.

Benjamin Bell – Managing Director appointed 23 January 2012
BSc, MMET, MBA

Benjamin Bell has 20 years' experience as a geologist and geophysicist in the minerals industry. Mr Bell joined the Company as Chief Executive Officer on 8 November 2011 and was subsequently appointed as Managing Director in January 2012. Previously Mr Bell was CEO of Ausgold Limited, and has held senior exploration roles to other ASX-listed gold and base metal explorers.

Mick Elias – Non-Executive Director appointed 1 July 2005
BSc(Hons), FAusIMM, CPGeo

Mick Elias has 31 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 has been a Principal Consultant with mining consultancy CSA Global Pty Ltd since 2001.

He previously held the positions of Chief Geologist – WA Nickel Operations and Chief Geologist – Nickel Resource Development at WMC Resources Ltd and was a director of Silver Swan Group Ltd until his resignation on 19 November 2012. Mr Elias holds a Bachelor of Science (Honours) in Geology from the University of Melbourne and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Dominic Marinelli – 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 and other emerging technologies. Mr Marinelli is a Director of Terrain Capital Limited in Australia and of unlisted explorer West Africa Coal Pty Ltd. He holds an MBA from the Melbourne Business School, a degree in Electrical and Computer Systems Engineering from Monash University and a diploma in Nanotechnology from Leeds University. Mr Marinelli is a member of the Company's Remuneration Committee and Audit and Risk Committee.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

1. DIRECTORS (cont.)

***Neil Warburton – Non-Executive Director appointed 22 April 2003
Associate Degree in Mining Engineering – WASM, AusIMM, FAICD***

Neil Warburton is a non-executive director at Australian Mines Limited, a base metal and gold explorer based in Australia, since April 2003. He is a member of the Company's Remuneration Committee and Chairman of the Audit and Risk Committee.

He is also the non-executive Chairman of Red Mountain Mining Limited, a gold explorer and project acquisition company based in Australia, non-executive director of Peninsular Energy Limited, an emerging uranium producer with developments in USA and South Africa, non-executive director of Sirius Resources Ltd, an emerging sulphide nickel and copper producer in Western Australia and non-executive director of Namibian Copper NL.

Prior, he was Chief Executive Officer at Barmenco, an Australian based international leader in hard rock underground mining, setting industry benchmarks in safety, service and knowledge. During his tenure at Barmenco from August 2007 to March 2012, Mr. Warburton managed the Australian operations and coordinated the international expansion into West Africa and Egypt, increasing revenue by more than double during his term. He is an experienced corporate and senior manager with over 35 years in the mining industry. Mr. Warburton graduated from the Western Australia School of Mines with an Associate Degree in Mining Engineering, and is a Fellow of the Australian Institute of Company Directors and Member of the Australian Institute of Mining and Metallurgy.

2. COMPANY SECRETARY

The Company Secretary of the Company during or since the end of the financial year is:

Michael Ramsden – appointed 18 June 2013

(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:

| Director | Board Meetings | | Remuneration Committee | | Audit & Risk Committee | |
|-------------------|----------------|----------|------------------------|----------|------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| Michael Ramsden | 11 | 11 | 1 | 1 | 4 | 4 |
| Benjamin Bell | 11 | 11 | - | - | - | - |
| Mick Elias | 11 | 11 | - | - | - | - |
| Dominic Marinelli | 11 | 11 | 1 | 1 | 4 | 4 |
| Neil Warburton | 11 | 11 | 1 | 1 | 4 | 4 |

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.

The Audit & Risk Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit & Risk Committee also oversees the Company's risk management systems and procedures.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

4. PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the course of the financial year were the exploration for gold and base metals.

5. OPERATING AND FINANCIAL REVIEW

Australian Mines Limited is a publically listed minerals exploration company.

In April 2014, Australian Mines reported that it signed a Heads of Agreement with Riedel Resources Limited (ASX: RIE) covering the exploration tenements E52/2394 and E52/2395, which are located 55 kilometres northeast, and along strike of, Sandfire Resources' (Sandfire) DeGrussa Copper-Gold Mine in Western Australia. These tenements are similarly located 40 kilometres east of Northern Star's Plutonic Gold Mine – a mine that has been in continuous production for over 20 years, producing over 5 million ounces of gold to date¹.

In June 2015, Australian Mines significantly expanded its footprint within the prospective Doolgunna-Marymia copper and gold district of Western Australia when the Company entered into a Farm-in and Joint Venture Agreement with Lodestar Minerals (ASX: LSR) covering the six key exploration tenements that immediately surround Australian Mines – Riedel Resource joint venture area.

The key commercial terms of the Company's Agreements with Riedel Resources and Lodestar Minerals were announced on 30 April 2014 and 11 June 2015 respectively.

Doolgunna-Marymia Project, Western Australia

Australian Mines' Doolgunna-Marymia Project is situated approximately 900 kilometres north of Perth and immediately adjacent to Sandfire Resources' Doolgunna project area – home to their world class DeGrussa Copper-Gold Mine.

In June 2015, Sandfire announced the discovery of a second high-grade copper-gold ore body within their Doolgunna project area, when a diamond core drill hole designed to test a subtle off-hole electromagnetic conductor located 10 kilometres east of the DeGrussa Copper-Gold Mine successfully intersected a zone of massive copper sulphide mineralisation. The appearance of this mineralisation, known as the Monty copper-gold prospect, is similar to that of the DeGrussa ore body² and Sandfire subsequently reported that this drill intersection returned 16.5 metres grading 18.9% copper and 2.1g/t gold from 409.5 metres down hole³.

In May 2015, Australian Mines completed a first-pass reverse circulation drill program across various base metal targets within the Australian Mines – Riedel Resources joint venture area, including the Burton prospect where a ground-based electromagnetic survey completed by the Company in late 2014 had detected a strong late-time bedrock conductor coincident with the Jenkin Fault structure⁴. This late-time conductor at Burton also appears coincident with an extensive copper-in-soil surface geochemical anomaly⁵.

Due to tenement boundary constraints that existed at that the time of the Company's drilling campaign, Australian Mines was unable to drill test the central zone of the Burton conductor. Rather, Australian Mines was only able to site its drill hole on the eastern edge of the interpreted buried conductor. Australian Mines has since addressed the tenement boundary constraint issue through the aforementioned farm-in agreement with Lodestar Minerals⁶.

¹ Northern Star Resources Limited, Plutonic Acquisition Presentation, released 23 December 2013

² Sandfire Resources NL, Doolgunna Project – Exploration update, released 17 June 2015

³ Sandfire Resources NL, Doolgunna Project – Assay results, released 25 June 2015

⁴ Australian Mines Limited, Presentation – Mines and Money London, released 2 December 2014

⁵ Lodestar Minerals Limited, September 2013 Quarterly Activities Report, released 30 October 2013

⁶ Australian Mines Limited, Australian Mines increases Marymia ground holding, released 11 June 2015

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

Given the sub-optimal positioning of the Company's initial drill hole at the Burton prospect, the successful intersection of a thick zone of anomalous copper, which subsequently assayed **21 metres @ 0.05% copper + 0.21% zinc from 193 metres** downhole (drill hole MMRC003)⁷ is considered significant by the Australian Mines' technical team.

Australian Mines' Burton intersection is not dissimilar to the initial drill results returned from Sandfire's Monty prospect where intersections including 49 metres @ 0.03% copper from 87 metres and 6 metres @ 0.05% copper from 70 metres downhole^{8,9} were reported in relatively close proximity to Sandfire's eventual high-grade copper-gold discovery.

Encouraged by the results from the Company's reconnaissance drill hole at Burton, in July 2015, Australian Mines mobilised a down hole electromagnetic crew to the Doolgunna-Marymia project area to survey drill hole MMRC003 (and selected historic drill holes) and test for any off-hole conductors that may represent potential massive sulphide mineralisation at depth. The results from these surveys are anticipated to be available in September 2015 and Australian Mines will commence a follow-up drill program of the main bedrock conductor at Burton within four weeks of receiving the data from the current geophysical survey.

⁷ Australian Mines Limited, Copper & zinc mineralisation intersected along Jenkin Fault, Marymia Project, released 18 June 2015

⁸ Talisman Mining Limited, Springfield Project – Exploration update, released 7 June 2011

⁹ Talisman Mining Limited, June 2010 Quarterly Report, released 29 July 2010

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

5. OPERATING AND FINANCIAL REVIEW (cont.)

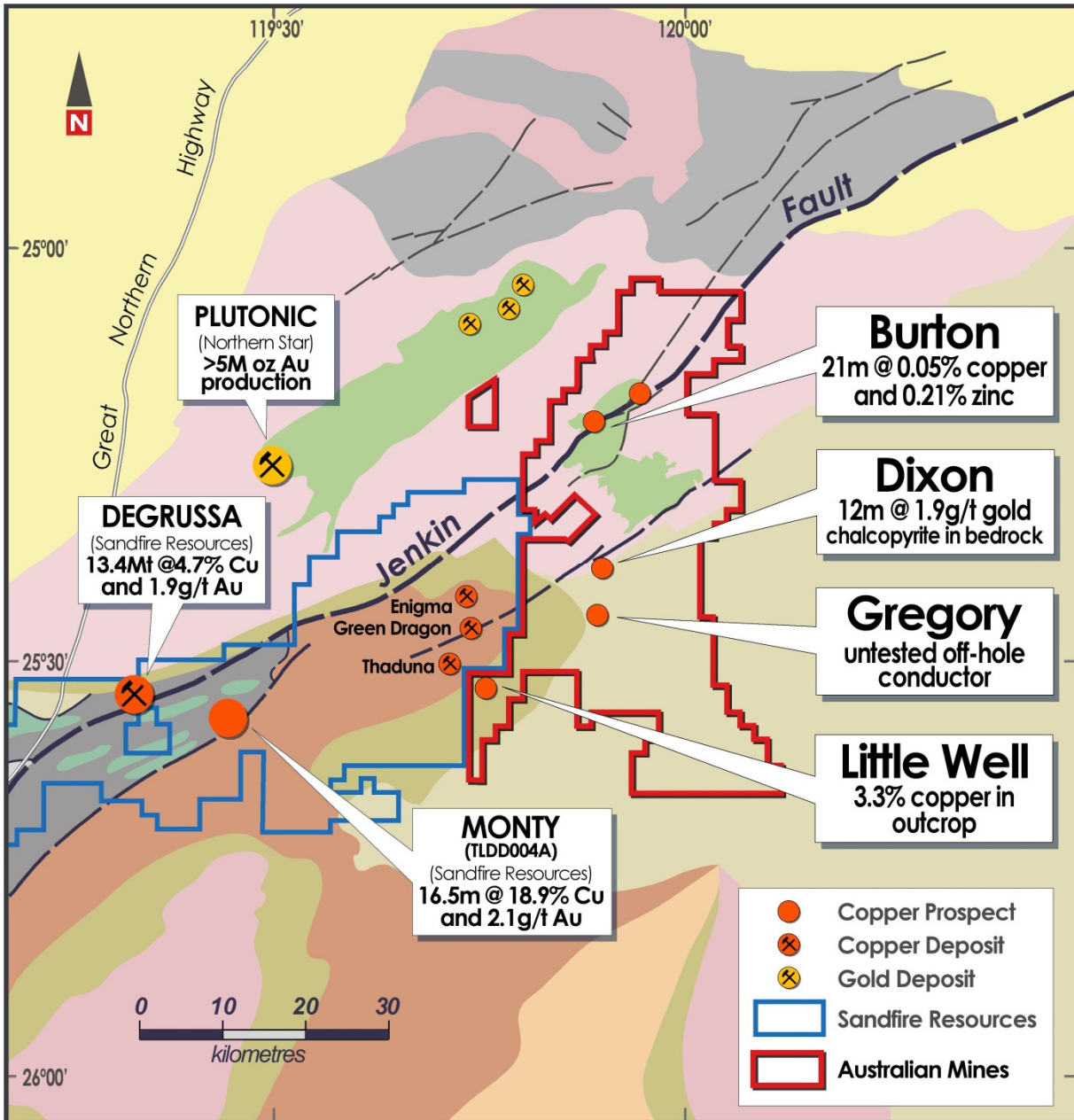


Figure 1: Australian Mines' Doolgunna-Marymia Project is located 45 kilometres east, and along strike of, Sandfire's DeGrussa Copper-Gold Mine. The recently discovered massive copper sulphide mineralisation at the Monty Prospect (Sandfire -Talisman joint venture) is similarly within 35 kilometres of the Company's project area.

AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW (cont.)

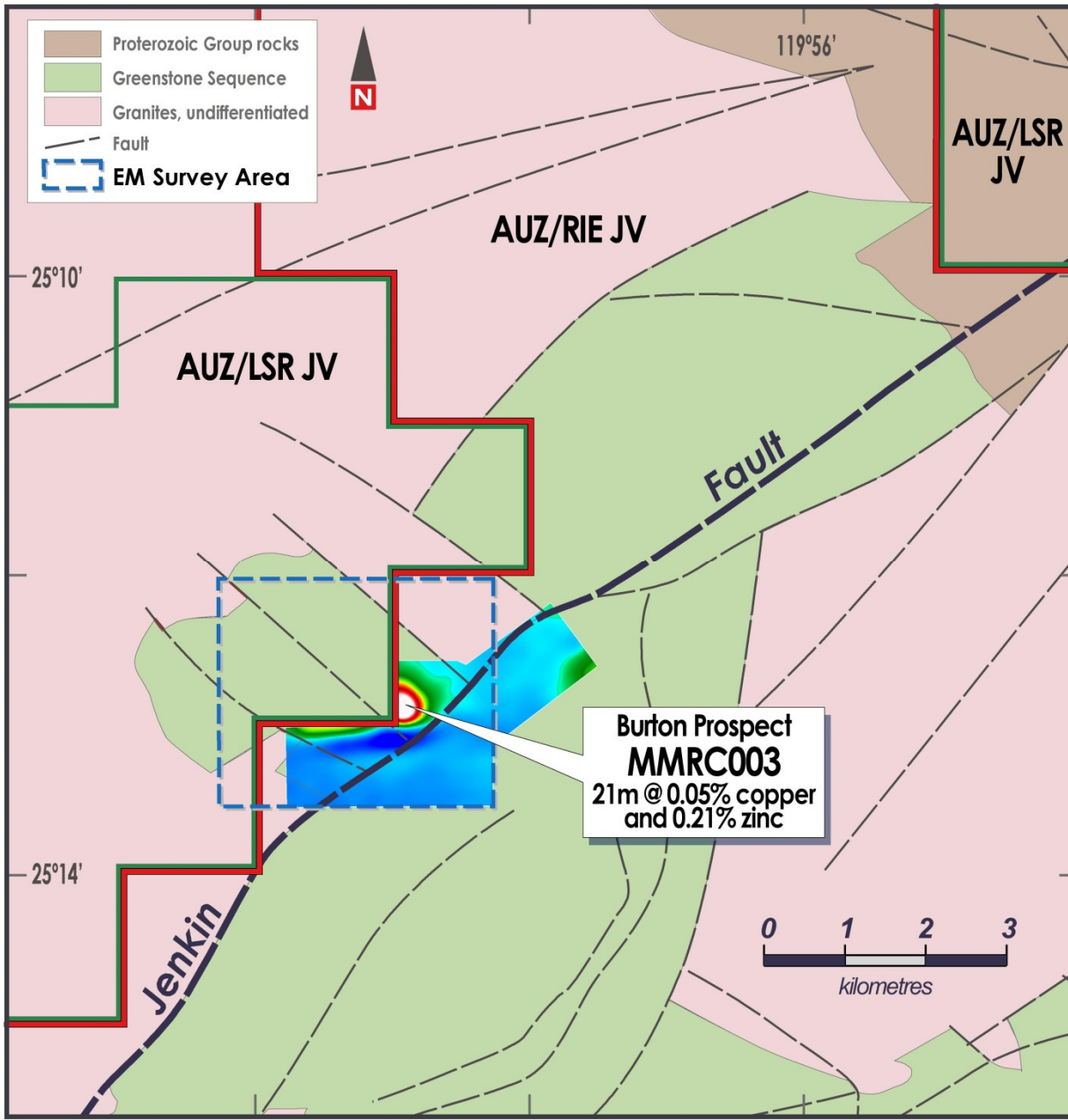


Figure 2: A ground-based electromagnetic (EM) survey over a section of the Jenkin Fault covered by Australian Mines' Doolgunna-Marymia Project successfully detected a late-time bedrock conductor at the Burton prospect. Due to the target's close proximity to the Company's then tenement boundary, Australian Mines drilled a single, sub-optimal RC hole (MMRC003) designed to test the eastern edge of this conductor. This drill hole intersected anomalous copper and zinc mineralisation. Following the recently announced joint venture with Lodestar, Australian Mines has commissioned an RC drill program over the main bedrock conductor at Burton as well as extending the EM coverage into the Australian Mines / Lodestar joint venture ground.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

5. OPERATING AND FINANCIAL REVIEW (cont.)

Marriotts Nickel Project, Western Australia

Australian Mines' 100%-owned Marriotts Nickel Project hosts a shallow, undeveloped nickel sulphide deposit within the granted Mining Lease of M37/96.

A technical review of the Marriotts Nickel Project by the Company during the year indicated the potential for incremental lode extensions to the current Mineral Resource at Marriotts. Australian Mines is presently obtaining the standard governmental approvals to enable the Company to undertake a future step-out drill program of this nickel sulphide orebody.

Jumbulyer – Foothills Joint Venture, Western Australia

Australian Mines entered into the Jumbulyer Joint Venture within Mount Magnet South NL (ASX: MUM) in March 2014. Included within this tenement package was the Foothills prospect where historic scout drilling had previously intersected supergene gold and copper mineralisation.

Australian Mines conducted a comprehensive exploration program over the Foothills prospect during the past year including completing two ground-based geophysical surveys and a targeted reverse circulation drill program over the resulting anomalies.

Whilst the results from this work indicated that the project has the potential to host a Quasar-style gold deposit, Australian Mines decided in December 2014 to withdraw from this joint venture to enable the Company to focus its resources on the - Doolgunna-Marymia Project located along strike of Sandfire's DeGrussa Copper-Gold Mine in mid-west Western Australia.

Nigerian Gold Project

A detailed technical review completed by the Company over the past year concluded that the thickness and continuity of the mineralisation within its Nigerian tenements appears insufficient to support a commercially viable gold mining operation. Australian Mines has, therefore, disposed of its Nigerian exploration assets as reported by the Company on 27 January 2015.

General Economic Conditions

The Consolidated Group made a loss for the year of \$2,573,585 (2014: loss \$993,419). There was an impairment of Nigerian exploration assets during the year of \$1,818,962 (2014: nil). The Nigerian subsidiary, including exploration assets, was subsequently disposed of for nominal consideration.

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

| Financials | 2015 | 2014 |
|-----------------------------------|-------------|-----------|
| | \$ | \$ |
| Revenue from operating activities | - | - |
| Net Loss | (2,573,585) | (993,419) |
| Cash and cash equivalents | 397,111 | 1,700,487 |

The company's financial results demonstrate a net loss due to the company's position of mineral explorer, rather than producer. At this point in the company's development, whilst it incurs expenditure through the ongoing exploration of tenements, no return has been generated as the company is yet to move into production, thus providing income.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

6. DIVIDENDS

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

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 22 January 2015 the Company sold Mines Geotechniques Ltd (incorporated in Nigeria), a subsidiary of Australian Mines Limited, for consideration of \$5. Taking into consideration the Nigerian assets and foreign exchange reserve, the sale resulted in a profit on disposal before income tax of \$357,659. As a result of technical reviews conducted by the Company, it was decided that there were insufficient findings to support a commercially viable gold mining operation and was therefore disposed of.

There were no other significant changes in the state of affairs of the Group during the financial year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 July 2015 the Company announced the completion of a placement of 105 million ordinary fully paid shares at an issue price of \$0.05 per ordinary share, raising \$525,000 before costs. The funds from the share issue will be used to fund the next phase of the Company's exploration program at its Doolgunna-Marymia project.

9. LIKELY DEVELOPMENTS

Having undertaken a strategic change in direction over the past 12 months, Australian Mines will be continuing to focus its activities on the exploration of its Doolgunna-Marymia project area. The Company will also be actively assessing further growth opportunities as they arise and only if they represent a sound opportunity to increase shareholder value.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

10. DIRECTORS' INTERESTS

At the end of the reporting period, 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) | 46,201,522 | - | - |
| B Bell (ii) | 22,080,731 | - | - |
| M Elias (iii) | 10,553,847 | - | - |
| D Marinelli (iv) | 32,775,505 | - | - |
| N Warburton (v) | 16,152,357 | - | - |

- (i) Mr M Ramsden has a relevant interest in the following shares – 23,950,054 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund A/c>, 976,744 shares owned by Whitehaven Investments Pty Ltd <Ramsden Family Trust>, 2,680,281 shares held by Doverpoint Pty Ltd, 11,594,443 shares in the name of Ormley Pty Ltd <Andrew Ramsden Super Fund>, and 7,000,000 shares owned by Mr M Ramsden.
- (ii) Mr B Bell has a relevant interest in 9,080,731 shares owned by B & R Bell <Kestrel Investment Fund>, and 13,000,000 shares owned by Mr B Bell.
- (iii) Mr M Elias has a relevant interest in 3,553,847 shares held by M & C Elias <Elias Super Fund>, and 7,000,000 shares held by Mr M Elias.
- (iv) Mr D Marinelli has a relevant interest in the following shares – 6,975,646 shares held by Dominic Marinelli and Vicki Marinelli <Monte Amaro Super Fund>, 18,799,859 shares held by Dominic Orlando Marinelli <The Monte Acquaviva Trust>, and 7,000,000 shares held by Mr D Marinelli.
- (v) Mr N Warburton has a relevant interest in the following shares – 6,548,355 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,604,002 held by Michlange Pty Ltd <Warburton Super Fund>, and 7,000,000 shares held by Mr N Warburton.

11. SHARE OPTIONS

Unissued shares under options

On 30 November 2014 all unlisted options expired. No options were exercised during the year. No new options were issued during the year.

12. REMUNERATION REPORT – AUDITED

The directors present the Company's 2015 remuneration report outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The report includes the following:

- a) Key management personnel covered in this report
- b) Overview of remuneration policies
- c) Principals of compensation
- d) Directors and executive officers remuneration
- e) Terms of equity settled share based payment transactions
- f) Equity instruments held by key management personnel
- g) Remuneration consultants
- h) Voting and comments made at the company's 2014 Annual General Meeting
- i) Loans to key management personnel
- j) Other key management personnel transactions

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

a) Key management covered in this report

Non-executive and executive directors and officers (see pages 3 to 4 for director details)

Michael Ramsden (non-executive chairman)
Benjamin Bell (managing director)

Dominic Marinelli (non-executive director)
Neil Warburton (non-executive director)

Mick Elias (non-executive director)

Danjuma Aliyu (executive director Nigerian operating Company)

b) Overview of remuneration policies

The board 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 mining 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.

c) Principles of compensation

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

Fixed Compensation

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

Performance-linked Compensation

The Company has no scheme to pay performance based compensation, and none were paid this year, or in the prior year.

Short term Incentive Bonus

The company has no scheme to pay discretionary bonuses based on performance, and none were paid this year, or in the prior year.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

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, subject to service conditions.

As a result of the plan, there are currently zero unissued shares of the Company under option. All options expired during the year ended 30 June 2015. There were 47,600,000 options granted under the plan during the year 30 June 2012.

Long Term Incentive Bonus – Directors Loan Share Plan

On 26 November 2014 the Directors' were invited to participate in a Loan Share Plan. Under the Plan, the directors were granted Performance Shares issued at market value. A limited recourse loan was provided by the Group to allow the Directors' to purchase the Performance Shares pursuant to the terms of the loan agreement.

The shares were purchased at a market rate of \$0.007 per share. The Plan shares are divided into 3 tranches and subject to service period vesting conditions. As a result of the plan 41,000,000 shares were issued to the Directors'. The fair value of the shares is estimated at the date of grant using the Black Scholes model. Refer to note 18 for further details

The Plan shares may be forfeited by the Director if:

- Employment, office or contractual relationship with the Company ceases;
- Relevant vesting conditions are not satisfied by the relevant time;
- The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or
- They become insolvent.

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.

| | 2015 | 2014 | 2013 |
|-----------------------|-------------|-----------|-------------|
| Loss for the year | \$2,573,585 | \$993,419 | \$8,229,644 |
| Change in Share Price | 50% | (33%) | (54%) |

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

12. REMUNERATION REPORT - AUDITED (cont.)

c) Principles of compensation (cont.)

Service Contracts - Executive Director

The Company has entered into a service agreement contract with Executive Director, Mr Benjamin Bell, effective from 1 July 2012. Mr Bell was employed on a salary of \$200,000 per annum plus superannuation (reduced from \$315,000 effective 1 January 2014). The contract has no defined term however either party may terminate this agreement by providing one month's written notice.

Any time 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; enters 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 the Executive Director elects to terminate the contract, written notice of one month will be provided to the Company.

The Company provides insurance for the Executive Director 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.

Non-Executive Directors

Total remuneration for all Non-Executive Directors is not to exceed \$400,000 per annum, excluding options and other share based incentives which are approved separately at a general meeting. Non-executive Directors' fees are set with reference to fees paid to other Non-Executive Directors of comparable companies, and are presently \$40,000 (2014: \$40,000) per annum each. The Non-Executive Chairman receives a fee of \$60,000 (2014: \$60,000) per annum. The reduction in the directors' fee was effective 1 January 2014. Prior to the reduction the Non-Executive Directors fees were \$55,000 per annum and the Non-Executive Chairman received a fee of \$86,000 per annum. The Non-Executive Chairman is also employed as Company Secretary for no further 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 18.

d) 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 other key management personnel of the Consolidated Group are shown on the following table.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

REMUNERATION REPORT – AUDITED (cont.)

| Directors | | SHORT TERM (D) | | POST EMPLOYMENT | | | SHARE-BASED PAYMENTS | TOTAL | Proportion of remuneration based % | Value of Options as a proportion of Remuneration % |
|--|------|--------------------------------|-----------------------|-------------------------------------|--|------------------------------------|--------------------------|---------|---|--|
| | | Non-Exec Directors' Fees | Executive Salaries | Super- annuation Contribution | Termination and Retirement Benefits | Other Long-Term Benefits (A) | Options Issued (B) | | | |
| Non-executive | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Mr M Ramsden | 2015 | 54,795 | - | 5,206 | - | - | 17,053 | 77,054 | 22 | 22 |
| | 2014 | 66,819 | - | 6,181 | - | - | 1,986 | 74,986 | 3 | 3 |
| Mr M Elias | 2015 | 36,530 | - | 3,470 | - | - | 17,052 | 57,052 | 30 | 30 |
| | 2014 | 43,478 | - | 4,022 | - | - | 1,986 | 49,486 | 4 | 4 |
| Mr D Marinelli | 2015 | 36,530 | - | 3,470 | - | - | 17,052 | 57,052 | 30 | 30 |
| | 2014 | 43,478 | - | 4,022 | - | - | 1,986 | 49,486 | 4 | 4 |
| Mr N Warburton (D) | 2015 | 40,000 | - | - | - | - | 17,052 | 57,052 | 30 | 30 |
| | 2014 | 47,500 | - | - | - | - | 1,986 | 49,486 | 4 | 4 |
| Executive | | | | | | | | | | |
| Mr B Bell | 2015 | - | 200,000 | 19,000 | - | 21,463 | 31,669 | 272,132 | 12 | 12 |
| | 2014 | - | 257,500 | 23,819 | - | 23,002 | 3,970 | 308,291 | 1 | 1 |
| Total compensation: Directors | 2015 | 167,855 | 200,000 | 31,146 | - | 21,463 | 99,878 | 520,342 | 19 | 19 |
| | 2014 | 201,275 | 257,200 | 38,044 | - | 23,002 | 11,914 | 508,433 | 2 | 2 |
| Executive Officers | | | | | | | | | | |
| Mr D Aliyu (E) | 2015 | 9,932 | - | - | - | - | - | 9,932 | - | - |
| | 2014 | 20,000 | 12,000 | - | - | - | 1,986 | 33,986 | 6 | 6 |
| Total compensation Executive Officers | 2015 | 9,932 | - | - | - | - | - | 9,932 | - | - |
| | 2014 | 20,000 | 12,000 | - | - | - | 1,986 | 33,986 | 6 | 6 |

(A) Other long term benefits include movement in the annual and long service leave provision.

(B) The estimated options value disclosed above is calculated at the date of grant using a Black-Scholes model. Options expense relates to the Performance Shares granted to Directors on 26 November 2014.

(C) No cash bonuses or non-monetary benefits were provided as compensation during the 2015 and 2014 financial years.

(D) Payments made to Michlange Pty Ltd of which Mr N Warburton is a director and shareholder.

(E) Resigned on 31 December 2014

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

e) Terms of equity settled share based payment transactions

Directors and executives employment related shares granted on 26 November 2014 are vested in three tranches. The details of the vesting plan are set out below. The fair values of all granted Performance Shares are included in remuneration over the vesting period from December 2014 to June 2017.

| Director | Grant Date | Number Issued | Vesting Date | No. Vested | Share Value at Grant Date (\$) | Fair Value (\$) |
|-------------|------------|-------------------|--------------|-------------------|--------------------------------|-----------------|
| N Warburton | 26/11/2014 | 2,333,333 | 1 June 2015 | 2,333,333 | 0.007 | 0.004 |
| N Warburton | 26/11/2014 | 2,333,333 | 1 June 2016 | - | 0.007 | 0.004 |
| N Warburton | 26/11/2014 | 2,333,334 | 1 June 2017 | - | 0.007 | 0.004 |
| M Elias | 26/11/2014 | 2,333,333 | 1 June 2015 | 2,333,333 | 0.007 | 0.004 |
| M Elias | 26/11/2014 | 2,333,333 | 1 June 2016 | - | 0.007 | 0.004 |
| M Elias | 26/11/2014 | 2,333,334 | 1 June 2017 | - | 0.007 | 0.004 |
| B Bell | 26/11/2014 | 4,333,333 | 1 June 2015 | 4,333,333 | 0.007 | 0.004 |
| B Bell | 26/11/2014 | 4,333,333 | 1 June 2016 | - | 0.007 | 0.004 |
| B Bell | 26/11/2014 | 4,333,334 | 1 June 2017 | - | 0.007 | 0.004 |
| M Ramsden | 26/11/2014 | 2,333,333 | 1 June 2015 | 2,333,333 | 0.007 | 0.004 |
| M Ramsden | 26/11/2014 | 2,333,333 | 1 June 2016 | - | 0.007 | 0.004 |
| M Ramsden | 26/11/2014 | 2,333,334 | 1 June 2017 | - | 0.007 | 0.004 |
| D Marinelli | 26/11/2014 | 2,333,333 | 1 June 2015 | 2,333,333 | 0.007 | 0.004 |
| D Marinelli | 26/11/2014 | 2,333,333 | 1 June 2016 | - | 0.007 | 0.004 |
| D Marinelli | 26/11/2014 | 2,333,334 | 1 June 2017 | - | 0.007 | 0.004 |
| | | <u>41,000,000</u> | | <u>13,666,665</u> | | |

f) Equity instruments held by key management personnel

Options and rights over equity instruments

The number of options over ordinary shares in the Company granted as compensation and 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 shown on the following table.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

f) Equity instruments held by key management personnel (cont.)

| | Held at 1 July 2014 | Expired | Held at 30 June 2015 | Vested during the year | Vested and exercisable at 30 June 2015 |
|-------------------|------------------------|------------|-------------------------|---------------------------|--|
| Directors | | | | | |
| N Warburton | 6,800,000 | 6,800,000 | - | - | - |
| M Elias | 6,800,000 | 6,800,000 | - | - | - |
| B Bell | 13,600,000 | 13,600,000 | - | - | - |
| M Ramsden | 6,800,000 | 6,800,000 | - | - | - |
| D Marinelli | 6,800,000 | 6,800,000 | - | - | - |
| Executives | | | | | |
| D Aliyu | 6,800,000 | 6,800,000 | - | - | - |

All options expired during the year.

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 2014 | Purchases | Sales | Held at Resignation | Held at 30 June 2015 |
|-------------------|------------------------|------------|-------|------------------------|-------------------------|
| Directors | | | | | |
| M Ramsden (i) | 22,757,723 | 23,443,799 | - | - | 46,201,522 |
| B Bell (ii) | 2,652,717 | 19,428,014 | - | - | 22,080,731 |
| N Warburton (iii) | 4,116,564 | 12,035,793 | - | - | 16,152,357 |
| M Elias (iv) | 2,000,000 | 8,553,847 | - | - | 10,553,847 |
| D Marinelli (v) | 22,698,573 | 10,076,932 | - | - | 32,775,505 |
| Executives | | | | | |
| D Aliyu (vi) | 29,930,722 | - | - | 29,930,722 | 29,930,722 |

- (i) Mr M Ramsden has a relevant interest in the following shares – 23,950,054 shares held by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund A/c>, 976,744 shares owned by Whitehaven Investments Pty Ltd <Ramsden Family Trust>, 2,680,281 shares held by Doverpoint Pty Ltd, 11,594,443 shares in the name of Ormley Pty Ltd <Andrew Ramsden Super Fund>, and 7,000,000 shares owned by Mr M Ramsden.
- (ii) Mr B Bell has a relevant interest in 9,080,731 shares owned by B & R Bell <Kestrel Investment Fund>, and 13,000,000 shares owned by Mr B Bell.
- (iii) Mr N Warburton has a relevant interest in the following shares – 6,548,355 shares held by Michlange Pty Ltd <Warburton Family Trust> and 2,604,002 held by Michlange Pty Ltd <Warburton Super Fund>, and 7,000,000 shares held by Mr N Warburton.
- (iv) Mr M Elias has a relevant interest in 3,553,847 shares held by M & C Elias <Elias Super Fund>, and 7,000,000 shares held by Mr M Elias.
- (v) Mr D Marinelli has a relevant interest in the following shares – 6,975,646 shares held by Dominic Marinelli and Vicki Marinelli <Monte Amaro Super Fund>, 18,799,859 shares held by Dominic Orlando Marinelli <The Monte Acquaviva Trust>, and 7,000,000 shares held by Mr D Marinelli.
- (vi) Resigned on 31 December 2014

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

g) Remuneration consultants

The remuneration committee has not engaged any remuneration consultants during the year, nor in the prior year.

h) Voting and comments made at the company's 2014 Annual General Meeting

The Company received 96% "for" votes on its remuneration report for the 2014 financial year at the Annual General Meeting on 25 November 2014. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

i) Loans to key management personnel

A limited recourse loan has been provided to Directors to allow them to purchase performance shares pursuant to the terms of the Loan Share Plan, detailed in point (c). No interest is payable on the loan and repayment is due upon forfeiture or sale of the shares. Details of the shares and loans can be found below:

| Name | Issue Date | Shares Issued | Issue Price | Loan Balance |
|-------------------|-------------------|----------------------|--------------------|---------------------|
| Michael Ramsden | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Michael Elias | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Dominic Marinelli | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Neil Warburton | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Benjamin Bell | 28 Nov 2014 | 13,000,000 | \$0.007 | \$91,000 |
| | | 41,000,000 | | \$287,000 |

j) 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.

**AUSTRALIAN MINES LIMITED
DIRECTORS' REPORT**

12. REMUNERATION REPORT – AUDITED (cont.)

j) Other key management personnel transactions (cont.)

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

| Director | Transaction | 2015 \$ | 2014 \$ |
|-----------------|--------------------------------|--------------------|--------------------|
| Mr M Elias | Geological Consulting fees (i) | 725 | 33,115 |
| Mr M Ramsden | Reimbursements (ii) | 10,306 | 3,926 |
| Mr M Ramsden | Underwriting Agreement (iii) | 103,978 | - |

- (i) 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. \$725 was owing to CSA Global Pty Ltd at 30 June 2015 (2014: nil).
- (ii) The group reimbursed Terrain Capital Limited for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Limited at 30 June 2015.
- (iii) The Group used Terrain Capital Markets Limited as the underwriters of the rights issue. Mr R Ramsden is a Director of Terrain Capital Markets Limited. No amounts were owing to Terrain Capital Markets Limited for underwriting services at 30 June 2015.

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

This is the end of the audited Remuneration Report

13. CORPORATE GOVERNANCE

The Consolidated Group's corporate governance policies and practices are set out in pages 70 to 78.

14. ENVIRONMENTAL REGULATIONS

The Consolidated Group conducts mining and exploration activities on mineral tenements. The right to conduct these activities is granted, subject to environmental conditions and requirements and as such is governed by a range of environment legislation. As the Company is in the early exploration phase of its exploration projects, the Company is not yet subject to the public reporting requirements of the environmental legislation. The Consolidated Group aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. To the best of the Directors knowledge, the Company has adequate systems in place to ensure compliance with the requirements' of the applicable legislation and is not aware of any material breach of those requirements during the financial year and up to the date of the Directors Report.

15. FINANCIAL REPORTING

The Directors 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.

AUSTRALIAN MINES LIMITED DIRECTORS' REPORT

16. 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.

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 \$6,883 (2014: \$6,485) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company.

17. NON-AUDIT SERVICES

During the year BDO, 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 BDO, the board has established subsequent to year-end 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.

18. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 22 and forms part of this Directors' Report for the year ended 30 June 2015.

This report is made with a resolution of the Directors.



Benjamin Bell
Managing Director
Dated: 17 September 2015

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor of Australian Mines Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 17 September 2015

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

| | Notes | 2015 \$ | *2014 \$ |
|---|-------|--------------------|--------------------|
| Other income | 4 | - | 49 |
| Personnel Expenses | 5 | (541,306) | (586,981) |
| Depreciation and amortisation | 6 | (16,045) | (11,732) |
| Corporate overheads and indirect expenses | 6 | (572,952) | (379,761) |
| Results from operating activities from continuing operations | | (1,130,303) | (978,425) |
| Finance income | 8 | 42,830 | 84,231 |
| Net finance income | | 42,830 | 84,231 |
| Loss before income tax for continuing operations | | (1,087,473) | (894,194) |
| Income tax | 9 | - | - |
| Loss after income tax from continuing operations | | (1,087,473) | (894,194) |
| Loss after income tax from discontinued operations | | (1,486,112) | (99,225) |
| Loss after income tax for the year attributable to equity holders of the Company | | (2,573,585) | (993,419) |
| Other comprehensive loss | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences – foreign operations | 19 | (247,517) | (164,371) |
| Other comprehensive loss | | (247,517) | (164,371) |
| Total comprehensive loss for the period | | (2,821,102) | (1,157,790) |
| Loss per share from continuing operations attributable to the ordinary equity holders of the Company | | | |
| Basic loss per share (cents) | 10 | (0.14) | (0.13) |
| Diluted loss per share (cents) | 10 | (0.14) | (0.13) |
| Loss per share attributable to the ordinary equity holders of the Company | | | |
| Basic loss per share (cents) | 10 | (0.34) | (0.15) |
| Diluted loss per share (cents) | 10 | (0.34) | (0.15) |

* Restated: Refer to Note 21 for details

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

| | Issued Capital | Accumulated Losses | Share Option Reserve | Share Based Payment Reserve | Foreign Exchange Reserve | Total Equity |
|---|-------------------|-----------------------|----------------------------|--------------------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Notes | | | | | | |
| Contributions by and distribution to members | | | | | | |
| Opening balance at 1 July 2013 | 33,122,066 | (30,231,246) | 168,424 | 1,206,279 | 411,888 | 4,677,411 |
| Total comprehensive income for the period: | | | | | | |
| (Loss) for the year | - | (993,419) | - | - | - | (993,419) |
| Other comprehensive (loss)/income | 19 | - | - | - | (164,371) | (164,371) |
| Total comprehensive loss for the period | - | (993,419) | - | - | (164,371) | (1,157,790) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Share based payment transactions | 19 | - | - | 13,900 | - | 13,900 |
| Shares issued during the year | 19 | - | - | - | - | - |
| Transaction costs from issue of shares | 19 | - | - | - | - | - |
| Total transactions with owners, recorded directly in equity | - | - | - | 13,900 | - | 13,900 |
| Closing balance at 30 June 2014 | 33,122,066 | (31,224,665) | 168,424 | 1,220,179 | 247,517 | 3,533,521 |

AUSTRALIAN MINES LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

| | | Issued Capital | Accumulated Losses | Share Option Reserve | Share Based Payment Reserve | Foreign Exchange Reserve | Total Equity |
|---|--------------|-------------------|-----------------------|----------------------------|--------------------------------------|--------------------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| | Notes | | | | | | |
| Contributions by and distribution to members | | | | | | | |
| Opening balance at 1 July 2014 | | 33,122,066 | (31,224,665) | 168,424 | 1,220,179 | 247,517 | 3,533,521 |
| Total comprehensive income for the period: | | | | | | | |
| (Loss) for the year | | - | (2,573,585) | - | - | - | (2,573,585) |
| Other comprehensive (loss)/income | 19 | - | - | - | - | (247,517) | (247,517) |
| Total comprehensive loss for the period | | - | (2,573,585) | - | - | (247,517) | (2,821,102) |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Share based payment transactions | 19 | - | - | - | 99,878 | - | 99,878 |
| Shares issued during the year | 19 | 1,482,974 | - | - | - | - | 1,482,974 |
| Transaction costs from issue of shares | 19 | (149,083) | - | - | - | - | (149,083) |
| Total transactions with owners, recorded directly in equity | | 1,333,891 | - | - | 99,878 | - | 1,433,769 |
| Closing balance at 30 June 2015 | | 34,455,957 | (33,798,250) | 168,424 | 1,320,057 | - | 2,146,188 |

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

AUSTRALIAN MINES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

| | Notes | 2015 \$ | 2014 \$ |
|-----------------------------------|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 11 | 397,111 | 1,700,487 |
| Trade and other receivables | 13 | 1,500 | 27,013 |
| TOTAL CURRENT ASSETS | | 398,611 | 1,727,500 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation assets | 14 | 1,935,892 | 2,003,597 |
| Property, plant and equipment | 15 | 23,305 | 42,364 |
| TOTAL NON-CURRENT ASSETS | | 1,959,197 | 2,045,961 |
| TOTAL ASSETS | | 2,357,808 | 3,773,461 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 189,080 | 215,861 |
| Employee benefits | 17 | 22,540 | 24,079 |
| TOTAL CURRENT LIABILITIES | | 211,620 | 239,940 |
| TOTAL LIABILITIES | | 211,620 | 239,940 |
| NET ASSETS | | 2,146,188 | 3,533,521 |
| EQUITY | | | |
| Contributed equity | 19 | 34,455,957 | 33,122,066 |
| Reserves | 19 | 1,488,481 | 1,636,120 |
| Accumulated losses | 20 | (33,798,250) | (31,224,665) |
| TOTAL EQUITY | | 2,146,188 | 3,533,521 |

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

AUSTRALIAN MINES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

| | | Consolidated | |
|--|-------|--------------------|--------------------|
| | Notes | 2015 | 2014 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash payments to suppliers and employees | | (841,691) | (1,096,137) |
| Interest received | | 42,837 | 84,231 |
| Sundry Income | | 48,870 | 90 |
| Net cash used in operating activities | 12 | (749,984) | (1,011,816) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for exploration and evaluation | | (1,870,090) | (285,114) |
| Payments for property, plant and equipment | | (23,128) | 20,581 |
| Proceeds from sale of assets held for sale | | - | 2,500,000 |
| Net cash provided by/(used in) investing activities | | (1,893,218) | 2,235,467 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from share issue (net of costs) | | 1,333,891 | - |
| Net cash (used in)/provided by financing activities | | 1,333,891 | - |
| Net increase/(decrease) in cash held | | (1,309,311) | 1,223,651 |
| Cash at the beginning of the financial year | | 1,700,487 | 487,510 |
| Effects of exchange rate changes on cash | | 5,935 | (10,674) |
| Cash at the end of the financial year | 11 | 397,111 | 1,700,487 |

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. REPORTING ENTITY

Australian Mines Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 83 Havelock Street West Perth WA 6005 Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2015 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 Group is a for-profit entity and is primarily involved in the exploration for gold in Australia.

The consolidated financial statements were authorised for issue by the directors on 17 September 2015.

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.

(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: available-for-sale financial assets and non-derivative financial instruments measured at fair value through profit and loss.

Certain comparative amounts have been reclassified to conform to current year presentation.

(d) 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. BASIS OF PREPARATION (cont.)

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(m).

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

(e) Going Concern

The Company has incurred a net loss of \$2,573,585 (2014: \$993,419) and has net current assets of \$186,991 at 30 June 2015 (2014: \$1,487,560).

The ability of the company to continue as a going concern is dependent on the Company's ability to raise funds through successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the Company's tenements, and/or sale of non-core assets in the future to allow continuation of the Company's projects. The Directors believe the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis.

However, if the Company is unable to achieve the above, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due, and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. 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 at the dates the fair value was determined.

(ii) 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(f)). 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.

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(f)). Lease payments are accounted for as described in accounting policy note 3(i).

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

(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 Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

(iv) Depreciation

With the exception of freehold land and mining property and development assets, depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated life of the asset, using rates per annum as set out below:

| | 2015 | 2014 |
|--------------------------|-------------|-------------|
| Buildings | 33% | 33% |
| Plant & equipment | 33% | 33% |
| Leased plant & equipment | 25% | 25% |

Land is not depreciated, while buildings on mining tenements are given a short life. 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.

(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 Statement of Profit or Loss and Other Comprehensive Income.

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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Exploration and evaluation assets (cont.)

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(f)). 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) Financial instruments

(i) Non-derivative financial assets

The Consolidated Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Consolidated Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Consolidated Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Consolidated Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Consolidated Group has the following non-derivative financial assets: loans and receivables, and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(f)).

Loans and receivables comprise trade and other receivables.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Financial instruments (cont.)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Consolidated Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Consolidated Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Consolidated Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Group on terms that the Consolidated Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Consolidated Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Consolidated Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Consolidated Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Impairment (cont.)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

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.

(g) Employee benefits

(i) Long-term service benefits

The Consolidated Group's net obligation in respect of long-term service benefits 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 reporting date which have maturity dates approximating to the terms of the Consolidated Group's obligations.

(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 recorded 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 Statement of Profit or Loss and Other Comprehensive Income as incurred.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Provisions

A provision is recognised in the Statement of Financial Position 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 cash flows. 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.

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 Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Profit or Loss and Other Comprehensive Income. 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 Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Profit or Loss and Other Comprehensive Income as incurred. Changes in the liability are charged to the Statement of Profit or Loss and Other Comprehensive Income as rehabilitation expense, other than the unwinding of the discount which is recognised as a finance cost.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Leases

(i) Operating lease payments

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit or Loss and Other Comprehensive Income 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.

(j) Finance income and expenses

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit and loss. 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.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income 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 reporting 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 reporting 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Income tax (cont.)

Tax consolidation

The Company and its wholly-owned Australian resident entity, Blair Nickel Mine Pty Ltd, 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. From 29 June 2012, Nigeria Gold Pty Ltd was added to the tax-consolidated group.

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.

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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) 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 Statement of Financial Position.

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.

(m) 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 22 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 and judgements are as follows:

(i) Fair Value of Share Based Payment Transactions

The fair value of the employee option plan and loan share plan are 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.

(ii) 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Accounting estimates and judgments (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

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.

The fair value of exploration assets is based on fair value less costs to sell, using a multiples of exploration method. The impairment of mining tenements is assessed in accordance with accounting policy 3(f).

(n) 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 Managing Director 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.

(o) Assets held for sale

Non-current 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 are re-measured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets 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 re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are not amortised or depreciated.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) New and amended standards adopted by the Group

There have been no new and amended accounting standards adopted by the Group for the first time for the financial year beginning 1 July 2014 or any prior periods.

(q) New accounting standards and interpretations 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 have not been applied in preparing this financial report.

| Reference | Title | Summary | Application date (financial years beginning) | Expected Impact |
|--------------|--|---|--|--------------------|
| AASB 2015-3 | <i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i> | The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. | 1 July 2015 | No expected impact |
| AASB 2014-3 | <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i> | This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. | 1 January 2016 | No expected impact |
| AASB 2014-4 | <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i> | This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose. | 1 January 2016 | No expected impact |
| AASB 2014-9 | <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> | This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1 January 2016 | No expected impact |
| AASB 2014-10 | <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | This amending standard requires a full gain or loss to be recognised when a transaction involves a business (even if the business is not housed in a subsidiary), and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business (even if those assets | 1 January 2016 | No expected impact |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | | | | |
|-------------|---|---|----------------|--------------------|
| | | are housed in a subsidiary). | | |
| AASB 2015-1 | <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i> | The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections. | 1 January 2016 | No expected impact |
| AASB 2015-2 | <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i> | The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. | 1 January 2016 | Disclosures Only |
| AASB 15 | <i>Revenue from Contracts with Customers</i> | This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | 1 January 2017 | No expected impact |
| AASB 2014-5 | <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Consequential amendments arising from the issuance of AASB 15. | 1 January 2018 | No expected impact |
| AASB 9 | <i>Financial Instruments</i> | This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc. | 1 January 2018 | No expected impact |
| AASB 2014-7 | <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> | Consequential amendments arising from the issuance of AASB 9 | 1 January 2018 | No expected impact |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

(r) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. Where this fair value is determined for disclosure purposes the market rate of interest is that at reporting date. Where this fair value is determined when acquired in a business combination, the market rate of interest is that at the date of acquisition.

(ii) Share-based payment transactions

The fair value of the employee share options and loan share plan are measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|----------------|----------------|
| | \$ | \$ |
| 4 OTHER INCOME | | |
| Sundry income | - | 49 |
| | <u>-</u> | <u>49</u> |
| 5 PERSONNEL EXPENSES | | |
| Wages and salaries | 204,320 | 309,462 |
| Non-executive directors fees | 167,854 | 201,276 |
| Other associated personnel expenses | 7,854 | 2,609 |
| Contributions to superannuation funds | 39,554 | 45,365 |
| Increase/(decrease)in leave liability | 21,846 | 14,369 |
| Employee option expenses (note 18) | 99,878 | 13,900 |
| | <u>541,306</u> | <u>586,981</u> |
| 6 OTHER EXPENSES | | |
| Depreciation and amortisation of: | | |
| Plant and equipment | 16,045 | 11,732 |
| | <u>16,045</u> | <u>11,732</u> |
| Corporate overheads and indirect expenses | | |
| Insurance | 13,214 | 12,724 |
| Travel and Accommodation | 36,835 | 28,551 |
| Exploration | 233,999 | 1,139 |
| Other Fees and Services | 200,172 | 238,151 |
| General Administration | 88,732 | 99,196 |
| | <u>572,952</u> | <u>379,761</u> |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 | 2014 |
|----------|--|-----------|-----------|
| | | \$ | \$ |
| 7 | AUDITOR'S REMUNERATION | | |
| | Audit services | | |
| | Auditors of the company – BDO (2014: BDO) | | |
| | - Audit and review of financial reports | 27,302 | 31,606 |
| | Total for year | 27,302 | 31,606 |
| | | | |
| 8 | FINANCE INCOME AND FINANCE COSTS | | |
| | Interest income | 42,830 | 84,231 |
| | Finance income | 42,830 | 84,231 |
| | | | |
| 9 | INCOME TAX EXPENSE | | |
| | Current tax expense/(benefit) | | |
| | Current year | (295,767) | (293,386) |
| | Adjustment for prior periods | - | - |
| | | (295,767) | (293,386) |
| | Deferred tax expense/(benefit) | | |
| | Origination and reversal of temporary differences | - | - |
| | Recognition of previously unrecognised tax losses | - | - |
| | Current year losses for which no deferred tax asset was recognised | 295,767 | 293,386 |
| | | 295,767 | 293,386 |
| | Total income tax in income statement | - | - |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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| | | 2015 | 2014 |
|----------|---|-------------|-----------|
| | | \$ | \$ |
| 9 | INCOME TAX EXPENSE (cont.) | | |
| | Numerical reconciliation between tax expense and pre-tax profit | | |
| | Loss from continuing operations | (1,087,473) | (894,194) |
| | Loss from discontinued operations | (1,486,112) | (99,225) |
| | Loss for the period | (2,573,585) | (993,419) |
| | Income tax benefit using the domestic corporate tax rate of 30% (2014: 30%) | (772,076) | (298,026) |
| | Increase in income tax expense due to: | | |
| | Non-deductible expenses | 476,309 | 4,640 |
| | Tax losses not brought to account | 295,767 | 293,386 |
| | Income tax expense | - | - |
| | Unrecognised deferred tax assets | | |
| | Deferred tax assets have not been recognised in respect of the following items: | | |
| | Tax losses | 5,869,956 | 5,574,189 |
| | 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: | | |
| | <i>Amounts recognised in profit or loss</i> | | |
| | Exploration | (535,768) | (586,080) |
| | Capital raising costs | 42,212 | 3,491 |
| | Property Plant & Equipment | 231 | 450 |
| | Provisions | 6,762 | 7,224 |
| | Accruals | 4,200 | 4,500 |
| | Tax losses | 482,363 | 570,415 |
| | Net deferred tax assets | - | - |
| | Movements in temporary differences | | |
| | Exploration | (50,312) | 50,191 |
| | Capital raising costs | (38,721) | 30,513 |
| | Property Plant & Equipment | 219 | (137) |
| | Provisions | 462 | 3,847 |
| | Accruals | 300 | 4,995 |
| | Total movement in temporary differences | (88,052) | 89,409 |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| 10 LOSS PER SHARE | | |
| Loss per share from continuing operations | | |
| Loss after income tax attributable to the ordinary shareholders of the Company | (1,087,473) | (894,194) |
| Basic loss per share (cents) | (0.14) | (0.13) |
| Diluted loss per share (cents) | (0.14) | (0.13) |
| Loss per share from total operations | | |
| Loss after income tax attributable to the ordinary shareholders of the Company | (2,573,585) | (993,419) |
| Basic loss per share (cents) | (0.34) | (0.15) |
| Diluted loss per share (cents) | (0.34) | (0.15) |

The calculation of basic loss per share at 30 June 2015 was based on the operating loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 757,858,998 (2014: 666,911,575), calculated as follows:

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Number of ordinary shares | | |
| Issued ordinary shares at 1 July | 666,911,575 | 666,911,575 |
| Rights Issue | 114,074,946 | - |
| Directors Share Plan | 41,000,000 | - |
| Issued ordinary shares at 30 June | 821,986,521 | 666,911,575 |
| Weighted average number of ordinary shares for year ending 30 June | 757,858,998 | 666,911,575 |

Diluted Earnings per Share

The calculation of diluted earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 30 June 2015 of 757,858,998 (2014: 666,911,575). There were options for a further 47,600,000 (2014: 47,600,000) potential ordinary shares which expired during the year and were not considered dilutive.

AUSTRALIAN MINES LIMITED
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| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| 11 CASH AND CASH EQUIVALENTS | | |
| Bank balances | 397,111 | 70,487 |
| Term Deposits (i) | - | 1,630,000 |
| Cash and cash equivalents in the statement of cash flows | 397,111 | 1,700,487 |

(i) These deposits are available in the short term and as such form part of the Group's cash and cash equivalents balance.

Refer to note 22 for Financial Risk Management

12 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities:

| | | |
|------------|-------------|-----------|
| Net (loss) | (2,573,585) | (993,419) |
|------------|-------------|-----------|

Add/(less) items classified as investing/financing activities:

| | | |
|---|-----------|--------|
| (Profit)/loss on sale of investment | (357,660) | 6,524 |
| (Profit)/loss on sale of fixed assets | (3,203) | |
| Depreciation and amortisation | 29,127 | 83,632 |
| Impairment of capitalised exploration | 1,818,962 | - |
| Exploration expenditure not capitalised | 231,499 | 872 |
| Option expense | 99,878 | 13,900 |

Movement in operating assets and liabilities:

| | | |
|--|----------|-----------|
| Decrease/(increase) in receivables | 25,513 | 7,630 |
| Increase/(decrease) in payables | (18,976) | (118,132) |
| Increase/(decrease) in employee leave provisions | (1,539) | (12,823) |

| | | |
|--|------------------|--------------------|
| Net cash used in operating activities | (749,984) | (1,011,816) |
|--|------------------|--------------------|

13 TRADE AND OTHER RECEIVABLES

Current

| | | |
|-------------------------------|-------|--------|
| Other debtors and prepayments | 1,500 | 27,013 |
| | 1,500 | 27,013 |

No trade receivables in the current or prior financial year have been impaired or are past due.

Refer to note 22 for Financial Risk Management.

AUSTRALIAN MINES LIMITED
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| | 2015 | 2014 |
|---|------------------|------------------|
| | \$ | \$ |
| 14 EXPLORATION AND EVALUATION ASSETS | | |
| Exploration and evaluation | | |
| Opening balance | 2,003,597 | 1,786,296 |
| Acquisition of assets | 350,000 | 50,000 |
| Expenditure incurred for year | 1,632,756 | 167,301 |
| Expenditure expensed | (231,499) | - |
| Exploration expenditure impairment | (1,818,962) | - |
| Exploration costs carried forward | 1,935,892 | 2,003,597 |

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.

Australian Mines has withdrawn from the farm-in and joint venture agreement with Mount Magnet South NL (ASX: MUM) effective from 5 January 2015. All expenditure incurred to date has been expensed. The Group has discharged all of its obligations relevant to its withdrawal from the agreement.

In April 2014 Australian Mines entered into a Heads of Agreement with Riedel Resources (ASX: RIE) over the Marymia nickel-copper-gold project. Australian Mines was able to acquire a 51% interest in the project by making cash payments to Riedel Resources of \$250,000 by 30 October 2014 and by spending \$1 million on exploration within an initial two year period. In accordance with the agreement the Company earned the 51% interest in the Marymia project having met the terms under the Heads of Agreement by spending \$1 million on exploration before April 2016. In addition, Australian Mines may acquire an additional 29% interest (taking the total to 80%) in the project by spending a further \$2 million on exploration within a further 36 month period.

In June 2015 Australian Mines entered into a farm-in and joint venture agreement with Lodestar Minerals Ltd (ASX: LSR) covering the Ned's Creek and Marymia tenements, which immediately surround the Company's existing Marymia project. Australian Mines paid \$100,000 to Lodestar on signing of the Agreement. Australian Mines may acquire a 51% interest in the project by spending \$1 million on exploration within an initial two year period from the signing of the Agreement. This includes a \$150,000 minimum spend within the first six months. If the Company wishes to exercise its option to continue the agreement, they must make a cash payment of \$250,000 to Lodestar on or before 11 December 2015. There is a further option to acquire an additional 29% by spending a further \$2 million on exploration within a further 24 month period.

Following a detailed technical review of the Nigerian assets, the Company concluded that the tenement would not be a commercially viable gold mining operation. The tenements however did contain economic grade manganese mineralisation. Due to a drop in the price of manganese during the period the Nigerian assets were impaired to zero as at 31 December 2014. In addition to the impairment the Company signed a Share Sale Agreement on 22 January 2015 for the sale of its shares in Mines Geotechniques Limited.

AUSTRALIAN MINES LIMITED
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| | 2015 | 2014 |
|--|-------------|-------------|
| | \$ | \$ |
| 15 PROPERTY, PLANT AND EQUIPMENT | | |
| Plant and equipment | | |
| At cost | 127,667 | 188,026 |
| Accumulated depreciation | (104,362) | (145,662) |
| Total property, plant and equipment | 23,305 | 42,364 |
| Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below: | | |
| Plant and equipment | | |
| Carrying amount at beginning of year | 42,364 | 154,771 |
| Additions | 28,884 | 524 |
| Disposals | (19,142) | (27,630) |
| Depreciation | (29,127) | (83,632) |
| Foreign currency exchange differences | 326 | (1,669) |
| Carrying amount at the end of year | 23,305 | 42,364 |
| 16 TRADE AND OTHER PAYABLES | | |
| Current (unsecured) | | |
| Trade creditors and accruals | 164,080 | 190,861 |
| Other creditors and accruals | 25,000 | 25,000 |
| | 189,080 | 215,861 |
| 17 EMPLOYEE BENEFITS | | |
| Current | | |
| Liability for annual leave | 22,540 | 24,079 |
| | 22,540 | 24,079 |

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18 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.

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.

On 30 November 2014 the options expired and as a result, there are currently nil (2014: 47,600,000) unissued shares of the Company under option. The fair value of options is estimated at the date of grant using the Black-Scholes model.

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

| | Exercise price | Number of options | Exercise price | Number of options |
|---------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | 2015 | 2015 | 2014 | 2014 |
| Outstanding at 1 July | 3.26c | 47,600,000 | 3.26c | 47,600,000 |
| Granted during the year | | - | | - |
| Expired during the year | 3.26c | (47,600,000) | | - |
| Forfeited during the year | | - | | - |
| Outstanding at 30 June | | <u>Nil</u> | 3.26c | <u>47,600,000</u> |
| Exercisable at 30 June | | Nil | 3.26c | 47,600,000 |

AUSTRALIAN MINES LIMITED
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FOR THE YEAR ENDED 30 JUNE 2015

18 SHARE BASED PAYMENTS (cont.)

On 28 November 2014 the Directors were invited to apply for Plan Shares under the Loan Share Plan. A limited recourse loan was provided to allow the Directors' to purchase the Plan Shares at market value being \$0.007 per share, pursuant to the terms of the loan agreement. The Plan Shares are divided into 3 tranches and subject to service period vesting conditions.

The Plan aims to recognise long-term performance by rewarding the Directors with Performance Shares which will allow them to share in the growth in the value of the Company.

Each Performance Share is an ordinary share in Australian Mines Limited however the shares are subject to vesting conditions. The terms of the Plan are as follows:

| | |
|-----------------------------|--|
| Grant Date | 26 November 2014 |
| Number of Shares | 41,000,000 |
| Share Price at Grant Date | \$0.007 |
| Vesting Conditions | <p>The Performance Shares are divided into 3 tranches and subject to the following vesting conditions:</p> <ul style="list-style-type: none"> (i) 1/3 for service to the Company as an Eligible Person until 1 June 2015 (ii) 1/3 for service to the Company as an Eligible Person until 1 June 2016 (iii) 1/3 for service to the Company as an Eligible Person until 1 June 2017 <p>No tranche of Performance Shares is conditional upon the vesting of another tranche.</p> |
| Lapse of Performance Shares | <p>Performance Shares will be forfeited in the following circumstances:</p> <ul style="list-style-type: none"> • Employment, office or contractual relationship with the Company ceases; • Relevant vesting conditions are not satisfied by the relevant time; • The Director acts fraudulently or dishonestly or in breach of their obligations to the Group; or • They become insolvent. <p>If the Performance Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.</p> |
| Loan Arrangements | <p>Under the Loan Agreement, the Group will lend the Directors' the funds required to purchase the Performance Shares. No interest will be payable on the loan and it is a limited recourse loan.</p> |

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18 SHARE BASED PAYMENTS (cont.)

Shares issued pursuant to Loan Share Plan

| Name | Issue Date | Shares Issued | Issue Price | Loan Balance |
|-------------------|-------------------|----------------------|--------------------|---------------------|
| Michael Ramsden | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Michael Elias | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Dominic Marinelli | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Neil Warburton | 28 Nov 2014 | 7,000,000 | \$0.007 | \$49,000 |
| Benjamin Bell | 28 Nov 2014 | 13,000,000 | \$0.007 | \$91,000 |
| | | <u>41,000,000</u> | | <u>\$287,000</u> |

The fair value of the Loan Share Plan was calculated using the Black Scholes pricing model per the table below. The value of the shares has been expensed on a proportionate basis for each period from grant date to vesting date. The proportion of the value of the shares that has been expensed during the year to 30 June 2015 and accounted for in the share based payment reserve is \$99,878.

| Tranche | Grant Date | Number Issued | Value Per Right (\$) | Probability | Condition | Total Value (\$) | Vesting Period (Years) | Value Vested Current Period (\$) | Value Not Vested (\$) |
|----------------|-------------------|----------------------|-----------------------------|--------------------|------------------|-------------------------|-------------------------------|---|------------------------------|
| 1 | 26/11/2014 | 13,666,666 | \$0.00449 | 100% | Service Period | 61,357 | 0.5 | 61,357 | - |
| 2 | 26/11/2014 | 13,666,667 | \$0.00449 | 100% | Service Period | 61,357 | 1.5 | 24,033 | 37,324 |
| 3 | 26/11/2014 | <u>13,666,667</u> | \$0.00449 | 100% | Service Period | <u>61,357</u> | 2.5 | <u>14,488</u> | <u>46,869</u> |
| | | <u>41,000,000</u> | | | | <u>184,071</u> | | <u>99,878</u> | <u>84,193</u> |

The above fair value calculation was based on the following inputs:

| | |
|-----------------------------|---------------------------------|
| Share price at date granted | Directors Shares 0.7c |
| Risk free rate | 2.520% |
| Volatility factor | 135% |
| Exercise Price | 0.6c |
| Time to maturity | 3 years |
| Expected dividend yield | 0% |

AUSTRALIAN MINES LIMITED
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| | 2015 | | 2014 | |
|---|------------|-------------|------------|-------------|
| | \$ | No. | \$ | No. |
| 19 CAPITAL AND RESERVES | | | | |
| Issued and paid up capital | | | | |
| Ordinary shares, fully paid | 34,455,957 | 821,986,521 | 33,122,066 | 666,911,575 |
| Reconciliation of contributed equity | | | | |
| Balance at beginning of year | 33,122,066 | 666,911,575 | 33,122,066 | 666,911,575 |
| Shares issued during the year: | | | | |
| Rights issue @ \$0.013 (2014: nil) | 1,482,974 | 114,074,946 | - | - |
| Costs of capital raising | (149,083) | - | - | - |
| Directors Loan Share Plan | - | 41,000,000 | - | - |
| Balance at end of year | 34,455,957 | 821,986,521 | 33,122,066 | 666,911,575 |

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

| | 2015 | 2014 |
|---|-----------|-----------|
| | \$ | \$ |
| Foreign Exchange Reserve | | |
| Balance at beginning of year | 247,517 | 411,888 |
| Foreign currency translation differences for foreign operations | (247,517) | (164,371) |
| Balance at end of year | - | 247,517 |
| Share Option Reserve | | |
| Balance at beginning of year | 168,424 | 168,424 |
| Options issued to shareholders | - | - |
| Balance at end of year | 168,424 | 168,424 |
| Share Based Payments Reserve | | |
| Balance at beginning of year | 1,220,179 | 1,206,279 |
| Share based payment employees/directors transactions | 99,878 | 13,900 |
| Balance at end of year | 1,320,057 | 1,220,179 |
| Total Reserves | 1,488,481 | 1,636,120 |

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 below.

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| | 2015 | 2014 |
|-----------------------------------|---------------------|---------------------|
| | \$ | \$ |
| 20 ACCUMULATED LOSSES | | |
| Balance at beginning of year | (31,224,665) | (30,231,246) |
| Net (loss)for the year | (2,573,585) | (993,419) |
| Accumulated losses at end of year | <u>(33,798,250)</u> | <u>(31,224,665)</u> |

21 DISCONTINUED OPERATIONS

On 22 January 2015 the Company sold Mines Geotechniques Ltd (incorporated in Nigeria), a subsidiary of Australian Mines Limited, for consideration of \$5. Taking into consideration the Nigerian assets and foreign exchange reserve, the sale resulted in a profit on disposal before income tax of \$357,659. As a result of technical reviews conducted by the Company, it was decided that there were insufficient findings to support a commercially viable gold mining operation and was therefore disposed of.

| | 2015 | 2014 |
|---|---------------------------|------------------------|
| | \$ | \$ |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Other income | 3,423 | 8,077 |
| Profit on sale of discontinued operations | 357,660 | - |
| Personnel Expenses | (10,019) | (20,488) |
| Depreciation | (13,082) | (71,901) |
| Impairment of exploration | (1,818,962) | - |
| Corporate overheads and indirect expenses | (5,139) | (14,914) |
| Results from operating activities | <u>(1,486,119)</u> | <u>(99,226)</u> |
| Net financing income/(costs) | 7 | 1 |
| Profit loss before income tax | <u>(1,486,119)</u> | <u>(99,225)</u> |
| Income Tax | - | - |
| Total Loss after income tax from discontinued operations | <u>(1,486,119)</u> | <u>(99,225)</u> |

CASH FLOW

| | | |
|---|------------------------|----------------------|
| Net cash from operating activities | (4,126) | (33,969) |
| Net cash used in investing activities | 5,756 | (92,508) |
| Net cash from financing activities | <u>(21,131)</u> | <u>139,485</u> |
| Net increase in cash and cash equivalents from discontinued operations | <u>(19,501)</u> | <u>13,008</u> |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

21 DISCONTINUED OPERATIONS (cont.)

CARRYING AMOUNT OF ASSETS AND LIABILITIES DISPOSED

| | | |
|-----------------------------------|----------------------|-------------------------|
| Cash and cash equivalents | 261 | 13,828 |
| Trade and other receivables | - | 10,805 |
| Exploration and evaluation assets | - | 1,698,492 |
| Property, plant & equipment | 16,589 | 31,899 |
| Total Assets | <u>16,850</u> | <u>1,755,024</u> |
| Net Assets | <u>16,850</u> | <u>1,755,024</u> |

DETAILS OF DISPOSAL

| | | |
|--|-----------------------|-----------------|
| Total sale consideration | 5 | - |
| Carrying amount of net assets disposed | (16,850) | - |
| Derecognition of foreign currency reserve | 374,505 | - |
| Profit on disposal before income tax | <u>357,660</u> | <u>-</u> |
| Income tax expense | - | - |
| Profit on disposal after income tax | <u>357,660</u> | <u>-</u> |

22 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 interest rate and liquidity risks, credit risk and foreign currency risk.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 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 | 6 – 12 Months | 1 to 5 Years | Non- interest Bearing | Total |
|------------------------------|---|---------------------|------------------|-----------------|-----------------------------|-----------|
| | | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| <i>Financial assets</i> | | | | | | |
| Cash and cash equivalents | 3.5% (variable) | 397,111 | - | - | - | 397,111 |
| Trade and other receivables | | - | - | - | 1,500 | 1,500 |
| | | 397,111 | - | - | 1,500 | 398,611 |
| <i>Financial liabilities</i> | | | | | | |
| Trade and other payables | | - | - | - | 189,080 | 189,080 |
| | | - | - | - | 189,080 | 189,080 |
| 2014 | | | | | | |
| <i>Financial assets</i> | | | | | | |
| Cash and cash equivalents | 3.36% (variable) | 1,700,487 | - | - | - | 1,700,487 |
| Trade and other receivables | | - | - | - | 27,013 | 27,013 |
| | | 1,700,487 | - | - | 27,013 | 1,727,500 |
| <i>Financial liabilities</i> | | | | | | |
| Trade and other payables | | - | - | - | 215,861 | 215,861 |
| | | - | - | - | 215,861 | 215,861 |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 FINANCIAL RISK MANAGEMENT (cont.)

(a) Interest rate risk

Sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have resulted in the following impact on profit or loss, assuming the amounts of variable rate instruments at 30 June were constant throughout the preceding year. A change in interest rates does not impact equity.

| | 2015 | 2014 |
|---|-------------|-------------|
| | \$ | \$ |
| Net financial assets subject to variable interest rates | 397,111 | 1,700,487 |
| Decrease in loss resulting from a 1% pa increase in variable interest rates | 3,971 | 17,005 |
| (Increase) in loss resulting from a 1% pa decrease in variable interest rates | (3,971) | (17,005) |

(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 | Contractual cash flows | 6 months or less | 6 to 12 months | 1 to 5 years |
|--------------------------|----------------------------|-----------------------------------|-----------------------------|---------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | |
| Trade and other payables | 189,080 | 189,080 | 189,080 | - | - |
| | 189,080 | 189,080 | 189,080 | - | - |
| 2014 | | | | | |
| Trade and other payables | 215,861 | 215,861 | 215,861 | - | - |
| | 215,861 | 215,861 | 215,861 | - | - |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 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 and trade receivables. 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 | Carrying Amount |
|---------------|------------------------|------------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Cash at bank | 397,111 | 1,700,487 |
| Other Debtors | 1,500 | 14,495 |
| | 398,611 | 1,714,982 |
| | 398,611 | 1,714,982 |

| <i>Credit Rating</i> | 2014 | 2013 |
|------------------------------|-------------|-------------|
| <i>Cash at Bank</i> | \$ | \$ |
| Standard & Poor's rating AA- | 1,700,487 | 487,510 |

(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 disposed of their Nigerian assets during the year.

| | 2015 | | 2014 | |
|-------------------------|-------------|--------------|-------------|--------------|
| | AUD | Naira | AUD | Naira |
| | \$ | N | \$ | N |
| Cash at bank | - | - | 13,828 | 2,105,884 |
| Debtors and prepayments | - | - | 10,805 | 1,645,515 |
| Creditors and accruals | - | - | - | - |
| | - | - | 24,633 | 3,751,399 |
| | - | - | 24,633 | 3,751,399 |

A movement of the AUD against the Nigerian Naira would have increased/(decreased) equity and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date, applied to the external Naira assets and liabilities at year end and to Naira expenditure during the year.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 FINANCIAL RISK MANAGEMENT (cont.)

(d) Currency risk (cont.)

| | 2015 | | 2014 | |
|------------------------|--------|---------------|--------|---------------|
| | Equity | Profit/(Loss) | Equity | Profit/(Loss) |
| | \$ | \$ | \$ | \$ |
| AUD strengthens by 10% | - | - | 2,239 | 9,021 |
| AUD weakens by 10% | - | - | -2,239 | -9,021 |

(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.

(f) Fair values

The fair values of significant financial assets and liabilities approximates the carrying amounts shown in the Statement of Financial Position.

23 COMMITMENTS

| | 2015 | 2014 |
|---|---------|-----------|
| | \$ | \$ |
| Lease of offices | | |
| Within one year | 23,305 | 31,995 |
| Exploration expenditure commitment | | |
| Within one year | 150,000 | 765,671 |
| Between 12 months and 5 years | - | 500,000 |
| | 150,000 | 1,265,671 |

In accordance with the relevant joint venture and heads of agreements there are requirements to meet minimum spending levels in order to acquire an interest in the projects. As a minimum the Group must spend \$150,000 in accordance with the Lodestar agreement within six months of signing the agreement.

24 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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

25 CONSOLIDATED ENTITIES

| Parent entity | Country of Incorporation | Ownership interest | |
|---------------------------|--------------------------|--------------------|------|
| | | 2015 | 2014 |
| Australian Mines Limited | Australia | | |
| Subsidiaries | | | |
| Blair Nickel Mine Pty Ltd | Australia | 100% | 100% |
| Nigeria Gold Pty Ltd | Australia | 100% | 100% |
| Mines Geotechniques Ltd | Nigeria | 0% | 100% |
| Auz Mining Ltd | Nigeria | 100% | 100% |

26 SUBSEQUENT EVENTS

On 10 July 2015 the Company announced the completion of a placement of 105 million ordinary fully paid shares at an issue price of \$0.05 per ordinary share, raising \$525,000 before costs. The funds from the share issue will be used to fund the next phase of the Company's exploration program at its Doolgunna-Marymia project.

27 SEGMENT INFORMATION

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

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

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27 SEGMENT INFORMATION (cont.)

| | Australian Exploration \$ | Nigerian Exploration \$ | Total \$ |
|--|---------------------------------|-------------------------------|-------------|
| For the Year Ended 30 June 2015 | | | |
| External income | 406,309 | 3,422 | 409,731 |
| Impairment expense | - | (1,818,962) | (1,818,962) |
| Segment Profit/(Loss) | 406,309 | (1,815,540) | (1,409,231) |
| Reconciliation of reportable segments: | | | |
| - Corporate income | | | 42,837 |
| - Corporate charges | | | (1,078,186) |
| - Depreciation | | | (29,127) |
| - Share-based payment expenses | | | (99,878) |
| Loss before Income Tax | | | (2,573,585) |
| As at 30 June 2015 | | | |
| Segment assets | 1,935,892 | - | 1,935,892 |
| Reconciliation of reportable segments: | | | |
| Unallocated assets: | | | |
| - Cash | | | 397,111 |
| - Trade and other receivables | | | 1,500 |
| - Plant and equipment | | | 23,305 |
| Total Assets | | | 2,357,808 |
| Segment asset movements for the year: | | | |
| - Tenement expenditure | 1,630,787 | (1,698,492) | |
| Segment liabilities | - | - | - |
| Reconciliation of reportable segments: | | | |
| Unallocated liabilities | | | |
| - Trade and other payables | | | 189,080 |
| - Employee Benefits | | | 22,540 |
| Total Liabilities | | | 211,620 |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27 SEGMENT INFORMATION (cont.)

| | Australian Exploration \$ | Nigerian Exploration \$ | Total \$ |
|--|---------------------------------|-------------------------------|-------------|
| For the Year Ended 30 June 2014 | | | |
| External income | 49 | 8,077 | 8,126 |
| Impairment expense | - | - | - |
| Segment Profit/(Loss) | 49 | 8,077 | 8,126 |
| Reconciliation of reportable segments: | | | |
| - Corporate income | | | 84,231 |
| - Corporate charges | | | (988,244) |
| - Depreciation | | | (83,632) |
| - Share-based payment expenses | | | (13,900) |
| Loss before Income Tax | | | (993,419) |
| As at 30 June 2014 | | | |
| Segment assets | 305,105 | 1,698,492 | 2,003,597 |
| Reconciliation of reportable segments: | | | |
| Unallocated assets: | | | |
| - Cash | | | 1,700,487 |
| - Trade and other receivables | | | 27,013 |
| - Plant and equipment | | | 42,364 |
| Total Assets | | | 3,773,461 |
| Segment asset movements for the year: | | | |
| - Tenement expenditure | 303,250 | (85,950) | |
| Segment liabilities | - | - | - |
| Reconciliation of reportable segments: | | | |
| Unallocated liabilities | | | |
| - Trade and other payables | | | 215,861 |
| - Employee Benefits | | | 24,079 |
| Total Liabilities | | | 239,940 |

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

28 PARENT ENTITY DISCLOSURES

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Australian Mines Limited | \$ | \$ |
| STATEMENT OF FINANCIAL POSITION | | |
| Current Assets | 398,297 | 1,702,481 |
| Non-Current Assets | 1,959,197 | 2,070,979 |
| Total Assets | 2,357,494 | 3,773,460 |
| Current Liabilities | 211,620 | 239,939 |
| Non-Current Liabilities | - | - |
| Total Liabilities | 211,620 | 239,939 |
| Net Assets | 2,145,874 | 3,533,521 |
| EQUITY | | |
| Contributed equity | 34,455,957 | 33,122,066 |
| Share option reserves | 1,488,481 | 1,418,515 |
| Accumulated losses | (33,798,564) | (31,007,060) |
| TOTAL EQUITY | 2,145,874 | 3,533,521 |
| Loss attributable to equity holders of the Company | (2,791,504) | (1,157,790) |
| COMMITMENTS | | |
| Lease of offices | | |
| Within one year | 23,305 | 31,995 |
| Exploration expenditure commitment | | |
| Within one year | 150,000 | 750,000 |
| Between 12 months and 5 years | - | 500,000 |
| | 150,000 | 1,250,000 |

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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

29 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

Mr M Elias

Mr D Marinelli

Mr N F Warburton

Executive Directors

Mr B Bell – Managing Director

Executives

Mr D Aliyu – Nigerian Manager (Resigned on 31 December 2014)

The key management personnel compensation included in 'personnel expenses' (see Note 5) is as follows:

| | 2015 | 2014 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 367,855 | 513,777 |
| Post-employment benefits | 31,146 | 38,044 |
| Long term benefits | 21,463 | - |
| Share based payments | 99,878 | 13,900 |
| | <u>520,342</u> | <u>572,206</u> |

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.

AUSTRALIAN MINES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

29 RELATED PARTIES (cont.)

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 | 2015 \$ | 2014 \$ |
|-----------------|--------------------------------|-------------------|-------------------|
| Mr M Elias | Geological Consulting fees (i) | 725 | 33,115 |
| Mr M Ramsden | Reimbursements (ii) | 10,306 | 3,926 |
| Mr M Ramsden | Underwriting Agreement (iii) | 103,978 | - |

- (i) 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. \$725 was owing to CSA Global Pty Ltd at 30 June 2015 (2014: nil).
- (ii) The group reimbursed Terrain Capital Limited for Mr M Ramsden's travel costs associated with his role as a director of Australian Mines. No amounts were owing to Terrain Capital Limited at 30 June 2015.
- (iii) The Group used Terrain Capital Markets Limited as the underwriters of the rights issue. Mr R Ramsden is a Director of Terrain Capital Markets Limited. No amounts were owing to Terrain Capital Markets Limited for underwriting services at 30 June 2015.

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

**AUSTRALIAN MINES LIMITED
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, as 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 2015 and its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian accounting interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - (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.
- 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 2015.

Dated at Perth the 17 day of September 2015.

Signed in accordance with a resolution of the directors:



Benjamin Bell
Managing Director

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, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which



has been given to the directors of Australian Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Australian Mines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the company's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Mines Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink that reads 'BDO' on the top line and 'J Prue' on the bottom line.

Jarrad Prue

Director

Perth, 17 September 2015

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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 Managing Director.

Board Members

The Company currently has five directors, Michael Ramsden, Mick Elias, Dominic Marinelli, Neil Warburton and Benjamin Bell. 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 3.41% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Elias owns approximately 0.30% 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 3.40% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Warburton, and his personally-related entities, currently holds 0.62% of the Company. Thereby in accordance with guidelines adopted by the Board he is considered an independent non-executive director.

Mr Bell was appointed Managing Director on 23 January 2012, and is associated with a current holding of 0.40% 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".

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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 the Company, 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 Managing Director 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 Chief Financial Officer 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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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, Michael Ramsden and Dominic Marinelli. Their attendance at Remuneration Committee meetings during the 2014 – 2015 year is set out in the Company's annual report.

During the 2014 – 2015 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 consisted of a majority of independent directors.

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, and has established a Committee in September 2012.

Until the Audit Committee was formed, the Board considered and dealt 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
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

Audit Committee (cont.)

The Audit Committee is required to meet at least twice per year, review annual and half-year accounts, and report to the Board of Directors. The Audit Committee also oversees the Company's risk management systems and procedures.

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.

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 and 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 is 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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

Risk Assessment and Management (cont.)

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;
- 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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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.

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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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.

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 Executive 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.

AUSTRALIAN MINES LIMITED
CORPORATE GOVERNANCE STATEMENT 2014 – 2015

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 in the organization, and none 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.

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 their ongoing commitment and dedication to the growth of the Company.

AUSTRALIAN MINES LIMITED 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 15 September 2015.

a) Substantial Shareholders

There is one shareholder holding more than 5% of the total number of shares.

b) Ordinary Shareholders

| Twenty largest holders of ordinary shares. | Number of shares | % held |
|--|------------------|--------|
| Mr J Reed | 52,000,000 | 5.610 |
| Mr M Ramsden (A) | 46,201,522 | 4.984 |
| Mr D Marinelli (B) | 32,775,505 | 3.536 |
| Danjuma Aliyu | 29,930,722 | 3.229 |
| Inverness Gold SPV Limited | 28,312,711 | 3.054 |
| Amalgamated Dairies Limited | 24,600,000 | 2.654 |
| Mr BJ & Mrs RK Bell <Kestrel Inv Fund A/c> (C) | 22,080,731 | 2.382 |
| Michlange Pty Ltd <N F Warburton A/c> (D) | 16,152,357 | 1.742 |
| Mr N C Taylor | 16,139,269 | 1.741 |
| Mr D P Bowden & Mrs M Castillo | 14,217,391 | 1.534 |
| Deveray Pty Ltd | 13,935,138 | 1.503 |
| Chifley Portfolios Pty Ltd | 13,000,000 | 1.402 |
| Balmerino Pty Ltd | 11,893,148 | 1.283 |
| Mr J P Leach | 11,550,719 | 1.246 |
| Waratah (Aust) Pty Ltd | 11,200,000 | 1.208 |
| Abdulazeez Salawu | 11,167,833 | 1.205 |
| Mr M E & Mrs C A Elias (E) | 10,553,847 | 1.139 |
| Mr D A & Mrs L MacDougall | 10,000,000 | 1.079 |
| Mr Clifford J Thompson | 9,600,000 | 1.036 |
| Mojeli Pty Ltd | 8,500,000 | 0.917 |

- (A) Mr M Ramsden has a relevant interest in the following shares –23,950,054 shares owned by Pacrim Investment Consultants Pty Ltd <Pacrim Super Fund>, 2,680,281 shares in the name of Doverpoint Pty Ltd, 11,594,443 shares in the name of Ormley Pty Ltd <Andrew Ramsden Super Fund>, 976,744 shares owned by Whitehaven Investments Pty Ltd as trustee for the Ramsden Family Trust, and 7,000,000 shares owned by Michael Ramsden.
- (B) Mr D Marinelli has a relevant interest in the following shares - 6,975,646 shares held by Dominic Marinelli and Vicki Marinelli as trustees for Monte Amaro Super Fund, 18,799,859 shares held by Dominic Orlando Marinelli as trustee for the Monte Acquaviva Trust, and 7,000,000 shares held by Dominic Marinelli.
- (C) Mr B Bell has a relevant interest in the following shares – 9,080,731 shares held by Benjamin Bell and Rachel Bell as trustees for the Kestrel Investment Fund A/c, and 13,000,000 shares held by Benjamin Bell.
- (D) Mr N Warburton has a relevant interest in the following shares – 2,604,002 shares held by Michlange Pty Ltd as trustee for Warburton Self Admin Super Fund. 6,548,355 shares held by Michlange Pty Ltd as trustee for N F Warburton Family Account. 7,000,000 shares held by Neil Warburton.
- (E) Mr M Elias has a relevant interest in the following shares – 3,553,847 shares held by Michael Elias and Carol A Elias as trustees for the Elias Super Fund. 7,000,000 shares held by Michael Elias.

**AUSTRALIAN MINES LIMITED
ADDITIONAL ASX INFORMATION**

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 926,986,521 and there is no current on-market buy back.

Distribution of ordinary shareholders at 15 September 2015:

| Category of shareholding | Number of shareholders |
|---------------------------------|-------------------------------|
| 1 – 1,000 | 815 |
| 1,001 – 5,000 | 870 |
| 5,001 – 10,000 | 243 |
| 10,001 – 100,000 | 1,486 |
| 100,001 and over | 736 |
| Total | <hr/> 4,150 |

c) Quoted Securities

The Company has the following quoted securities on issue:

926,986,521 ordinary shares

d) Unquoted Securities

The Company currently has no unquoted securities on issue. All unquoted securities expired during the year ended 30 June 2015.

**AUSTRALIAN MINES LIMITED
TENEMENTS SCHEDULE**

| Location | Project | Tenement | Status | Grant Date | Interest |
|--------------------------|-------------------|----------|---------|------------|----------|
| WESTERN AUSTRALIA | | | | | |
| | Marriotts | M37/096 | Granted | 25/02/1987 | 100% |
| | Doolgunna-Marymia | E52/2394 | Granted | 16/06/2010 | 51% |
| | Doolgunna-Marymia | E52/2395 | Granted | 30/08/2010 | 51% |

Australian Mines signed a Heads of Agreement with Riedel Resources (ASX: RIE) in April 2014 covering the tenements E52/2394 and E52/2395.

As announced on 29 May 2015, Australian Mines currently holds a 51% interest in these tenements and the Company has elected to acquire an additional 29% interest in the project (taking the total to 80%) by spending a further \$2 million on exploration by May 2018.

Nickel Mineral Resources

Australian Mines reports its Mineral Resources for the Company's 100%-owned Marriotts Nickel Project on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

Australian Mines ensures that its Mineral Resource estimates are subject to appropriate levels of governance and internal controls, and that it adheres to well established Mineral Resource estimation procedures.

The Company similarly ensures that its Marriotts nickel sulphide resource is systematically reviewed by external competent and qualified professionals. These external technical reviews have not identified any material issues with the Company's estimation procedures.

Set out below is a comparative table showing the 2014 and 2015 Mineral Resource estimates for Australian Mines' Marriotts Nickel Project, which is located 70 kilometres south of BHP-Billiton's Leinster Nickel Operations in Western Australia.

| Marriotts Mineral Resource (as at 30 June 2014)¹⁰ | | | | |
|---|--------------|-----------------|-------------|---------------|
| Location | Category | Resource Tonnes | Nickel (%) | Nickel Tonnes |
| Marriotts, Western Australia | | | | |
| | Measured | - | - | - |
| | Indicated | 460,000 | 1.12 | 5,100 |
| | Inferred | 370,000 | 1.15 | 4,300 |
| | Total | 830,000 | 1.13 | 9,400 |

¹⁰ Australian Mines Limited, Addendum to 2014 Annual Report, released 29 December 2014

| Marriotts Mineral Resource (as at 30 June 2015) | | | | |
|--|-----------------|------------------------|-------------------|----------------------|
| Location | Category | Resource Tonnes | Nickel (%) | Nickel Tonnes |
| Marriotts, Western Australia | | | | |
| | Measured | - | - | - |
| | Indicated | 460,000 | 1.12 | 5,100 |
| | Inferred | 370,000 | 1.15 | 4,300 |
| | Total | 830,000 | 1.13 | 9,400 |

The information in this report that relates to the Marriotts Nickel Project's Exploration Results, Mineral Resources or Ore Reserves 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 Australian Mines Limited. Mr Elias has sufficient experience relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Elias consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information regarding Australian Mines' Marriotts Mineral Resource has been extracted from various Company announcements, which are available on the Australian Mines website (www.australianmines.com.au) or through the ASX website at www.asx.com.au (using ticker code "AUZ"). Australian Mines confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed. Australian Mines confirms that the form and context in which the Competent Person's findings are presented have not materially modified from the original market announcement.

The Mineral Resources in this document are reported under JORC 2004 Guidelines, as there has been no Material Change or Re-estimation of the Mineral Resource since the introduction of the JORC 2012 Code. Future estimates of the Marriotts Nickel Project resource will be completed to JORC 2012 Guidelines.