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 Ric Dawson - Managing Director  
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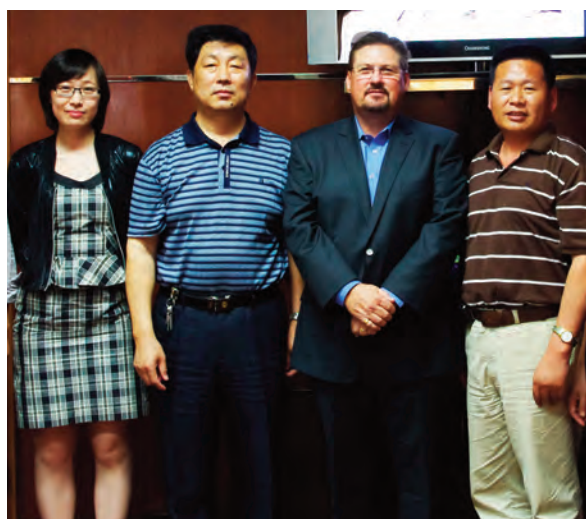
### Australian Business Number

45 125 301 206

### Website

www.ammg.com.au





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Dear Shareholder,

Please find herein the annual report and financial statements of the Company for the financial year ended 2011.

It has been an extremely busy year for the Company in its first full year as an ASX publicly listed company after its successful listing on 27 January 2010.

The Company maintained its stated objectives over the year in advancing its diversified suite of mineral projects; targeting and advancing potential joint venture partners; and securing strategic projects. In pursuing these objectives, considerable market analysis was undertaken to facilitate successful Company growth and shareholder value.

The Company continues to advance its strategic relationships with a number of trips to China, which has resulted in an increasing level of interest as the Company moves to implement its strategy of securing a strategic investor/joint venturer that can assist in unlocking and realising value in the Company's projects.

The highlights and achievements for the year included the following:

- Maiden JORC inferred resource of 30Mt of gypsum at Lake Macleod.
- The appointment of our inaugural Managing Director, Mr Ric Dawson, an experienced geologist, stockbroker and managing director.
- Establishment of the AMMG management team.
- Addition of the Western Australian Canning Basin Coal Project.
- Addition of the Western Australian Yilgarn Iron Ore Project.
- Establishment of the Queensland Constance Range Iron Ore Alliance.
- Delineation of a 65Mt JORC indicated and inferred kaolin resource at our Western Australian Meckering Project.
- Delineation of an 85Mt JORC inferred kaolin resource at our Western Australian Kerrigan Project (announced post 30 June).
- Successful China marketing trips with delegation visits from China and abroad.
- Production of ultra-pure alumina and metallurgical grade alumina samples from the Company's Meckering kaolin by a Chinese technology holders' process (announced post 30 June).
- The negotiation of two MOU's with Anhui Bureau (announced post 30 June).

The Company has a number of interested Chinese and overseas entities, which it has signed confidentiality agreements with, and is moving forward with information exchanges.

On behalf of the board, I would like to thank our shareholders for their past financial support and look forward to their continued interest in the Company.

I would also like to thank our stakeholders including strategic private landholders who we are working with in advancing our mutual financial interests. Further, thank you to our management team whose skills and expertise have been critical in advancing the interests of the Company.

On a personal note, I would also like to thank the individual board members for their contribution, as well as the Company's Managing Director, who has made significant advancements in his first six months.

I look forward to meeting you at the upcoming AMMG annual general meeting and introducing you to the AMMG board and management team.

Yours faithfully



**Luke Atkins**  
Chairman





### Experienced board and management team

- Mining and corporate experience at management and board level.
- Experienced exploration, technical marketing, and management team.
- Geological experience across a diverse range of mineral sectors.
- Strong Chinese network and connections.

### Continued support for business case

- Business case supported by China's continued expansion in securing potential sources of mineral supply as evidenced by two MOU's signed with Anhui Bureau (announced post 30 June).
- Increasing demand and interest from India, China, and South-East Asia for minerals.
- Increased interest from mineral traders seeking to secure longer term supply opportunities.
- Relatively close shipping distance to emerging and expanding markets of China.
- Continued falling shipping freight rates.

### Strong Asian relationships

- Continued corporate focus on South-East Asia and China as part of a strategic corporate growth and development strategy.
- Strong Chinese networks at both board and management levels.
- Continued overseas interest in AMMG's projects, particularly from China.

### Diversified suite of Australian mineral projects, comprising:

- 43 tenement applications, 11 granted exploration licences, in its own right or by joint venture, covering approximately 10,317 square kilometres:
  - 1 Constance Range Iron Ore Project, Queensland
  - 2 South West Kaolin & Aluminous Clay Project, Western Australia
  - 3 Yilgarn Iron Ore Project, Western Australia
  - 4 East Pilbara Iron Ore Project, Western Australia
  - 5 Canning Coal Project, Western Australia
  - 6 Lake Macleod Gypsum Project, Western Australia
  - 7 South West Mineral Sands Project, Western Australia
  - 8 South West Salt Project, Western Australia
  - 9 Maytown Gold Project, Queensland

### Focused project selection criteria

- Targeting mineral projects with historical data and potential access to infrastructure.
- Exposure to improving markets.
- Potential leverage to growing Asian markets.
- Potential joint venture opportunities.

### Strong financial position

- No debt.
- Strong cash position; \$6.66 million as at 30 June 2011.



## Background

Australia Minerals and Mining Group Ltd (ASX: AKA) ("AMMG or the Company") was incorporated on 8 May 2007, for the purpose of acquiring, principally by application, or on suitable joint venture terms, exploration licences over areas that had been subject to historical exploration, and where there was pre-existing historical data (much of which was pre-digital and pre-JORC). Areas with existing infrastructure or potential access to infrastructure were also targeted.

The Company has focused on minerals and/or projects, which may have been overlooked or allowed to lapse in the past and might prove attractive in the context of the rapidly growing economies of India and China, and in world shipping terms, in relatively close proximity.

## Corporate Strategy

The Company aims to create wealth for our shareholders by identifying sufficient mineral resources with the potential to develop bulk mineral projects targeting iron ore, gypsum, kaolin/aluminous clay, coal, salt and mineral sands, either internally or with strategic joint venture partners/end users.

AMMG seeks to:

- Develop and add to its diversified suite of projects in a cost effective manner;
- Identify potential strategic end-users as cornerstone investors and/or joint venture partners;
- Identify potential lower capital, nearer term start-up operations to generate cash flow; and
- Joint venture or divest projects if and when appropriate, in the interests of all stakeholders.

## Strategic Implementation - The Second Year

The Company continues to evaluate the historical data available for its tenement areas. Throughout the year, the Company has explored possible joint venture opportunities at its projects, with a view to possible regional consolidation. To this end, the Company announced the formation of the Constance Range Iron Ore Alliance on May 18, 2011.

AMMG has continued to identify potential strategic investors and potential end-users of the mineral commodities being targeted by the Company, with a view to growing the business and enhancing shareholder value.

During the year, the Company embarked on a number of trips to Hong Kong and mainland China as well as Quebec, Canada and the eastern states of Australia.

The Company continues to maintain a diversified portfolio in order to provide additional marketing and development opportunities.

## Corporate Building

Midway through the past financial year, the Company appointed Mr Ric Dawson as its inaugural Managing Director. A former geologist, stockbroker and managing director of an ASX-listed company, Mr Dawson brings a wealth of knowledge and experience and has been instrumental in project acquisition via applications and concept driven project generation.

In addition, he has progressed with attracting both new joint venture opportunities and to expanding the current portfolio of commodities and reviewing new opportunities. The creation of the Constance Range Alliance is an integral part of unlocking shareholder wealth by divesting risk through the potential partnership with the other Alliance members, whilst not duplicating infrastructure.

## Exploration Strategy

AMMG has been proactive in acquiring, through application, additional mineral projects it deems prospective, targeting a variety of minerals as well as evaluating other projects where expressions of interest have been received from overseas parties for that particular mineral targeted.

With the granting of a number of exploration licences, the Company has moved forward in its exploration program through: fieldtrips and the commencement of drilling programs; the collection and submission of samples for analytical testing; the characterisation of ore; investigation into processing and beneficiation techniques; and potential joint venture, and marketing opportunities.

The Company continues to pursue its diversification strategy at this early stage of the Company's development, in order to provide additional development opportunities. In addition to expediting exploration and assessment of existing project areas, the Company has acquired further prospective holdings as detailed in the Project Reviews section herein.



## Vision

AMMG seeks to identify sufficient resources with the potential to develop bulk mineral projects (iron ore, kaolin, aluminous clay, gypsum, coal, mineral sands and salt), either internally or with suitable strategic investors/joint venture partners, or to divest projects in the interests of all stakeholders.

## Goals

The Company's goals are to generate shareholder wealth by adding value to its diversified suite of mineral exploration projects. The Company aims to achieve this, where appropriate, by carrying out a strategic exploration program, infrastructure reviews and feasibility studies, in conjunction with local communities, environmental agencies, regulatory bodies, and all key stakeholders.

## Values

Our core values detailed below form the basis upon which all of our policies and procedures are built, and assist us in achieving our goals, as outlined above.

### *Environmental Sustainability*

The Company is committed to carrying out its business in an environmentally sustainable manner. To this end, the Company continues to develop a comprehensive environmental policy with key stakeholders.

### *Community and Indigenous Relations*

The Company is committed to building mutually beneficial relationships with indigenous stakeholders and community groups. The Company considers good communication, negotiation, and ongoing participation between parties as one of the key success factors by which it will measure its performance.





CONSTANCE RANGE IRON ORE ALLIANCE

In May, the Company launched the Constance Range Iron Ore Alliance ("Alliance") through a Memorandum of Understanding (MOU) of Strategic Co-operation (see ASX announcement dated 18/05/11).

it began to focus on the Pilbara. The iron ore deposits are located approximately 160kms from the Gulf of Carpentaria. The shipping distance from the project is approximately 5,500 kilometres.

The initial members that agreed to co-operate under the Alliance are AMMG, Viento Group Ltd, Icon Resources Ltd, and Resolve Geo Pty Ltd.

The project is in relatively close proximity to China's MMG Century Zinc Mine and associated infrastructure, including its existing slurry pipeline to Port Karumba.

The Alliance holds between 70-100% interests in tenements in the Constance Range area of Queensland, totalling approximately 1,186 square kilometres, and contain 92 kilometres of prospective surface iron ore formation, Train Range Member (host lithology).

The Alliance members are targeting hematite direct shipping ore (DSO) and magnetite and have three granted EPM and seven pending applications comprising a tenement area of 1,186 square kilometres.

Historically, the Constance Range Iron Ore Project was BHP's flagship project before

A substantial historical database of BHP's previous historical work is available.





## Constance Range Iron Ore Project, Queensland

BHP first explored the area in 1956 to 1963 and delineated 15 outcropping ironstone deposits over a strike length of 100 kilometres.

The two largest deposits outlined by the BHP drilling were Deposit "A" (70% owned by Viento) and Deposit "P" (covered by both, 70% owned by Viento and 100% owned by AMMG).

Deposit "A" is located approximately 160 kilometres from Burketown and 310 kilometres from the Port of Karumba.

It is proposed that any potential DSO product could be transported by road train to Burketown for trans-shipping and magnetite slurry could potentially be slurry-piped and pumped to existing facilities at the Port of Karumba.

BHP has previously reported a resources statement on Deposit "P", which the Company is currently progressing.

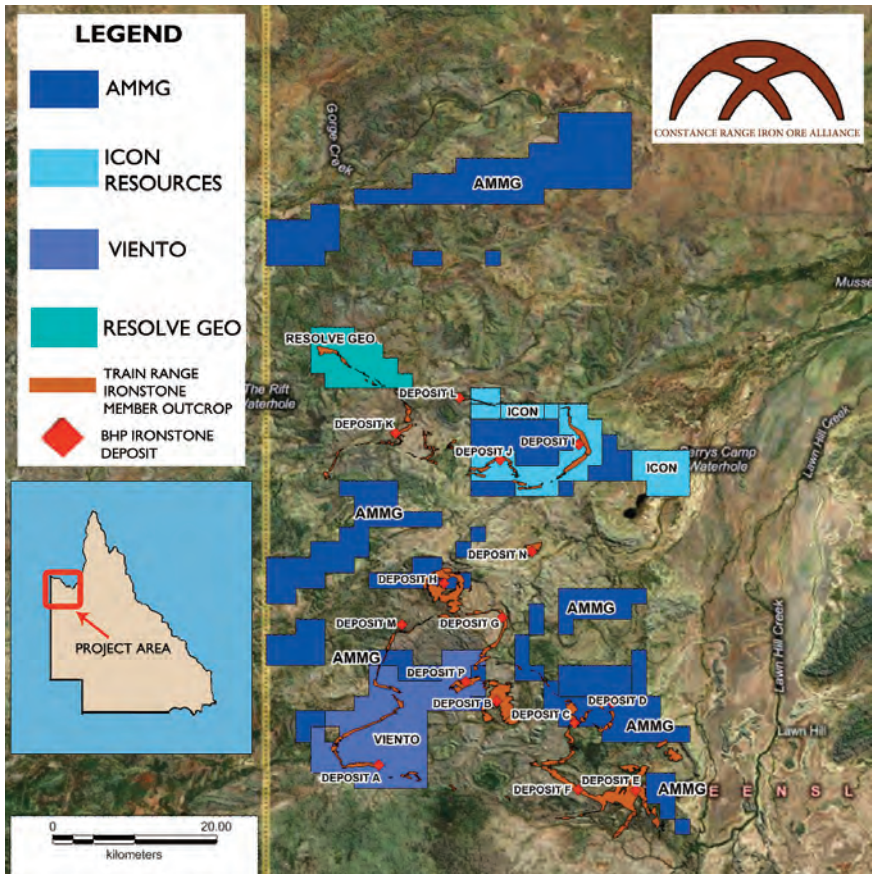
Currently, AMMG is planning verification and new drill-holes to prepare a JORC statement of resources.

Initial estimates are that AMMG's portion of Deposit "P" is in the region of 75% of the deposit's total available land area.

The Alliance has 92 kilometres of strike length containing the bedded ironstone outcrop sequence that is approximately 180m thick and contains three main ironstone units of approximately 20m thickness each.

- Deposit "A", BHP (pre 1963) drilled 16,256m of BQ diamond core.
- Deposit "A", 2007 drilling consisted of 1,275m of HQ diamond core.
- Deposit "A" has a current JORC/43:101 compliant inferred resource of 236Mt at 53.2% Iron, 10.3% Silica, 1.6% Alumina, 0.02% Phosphorus, and 11.2% Loss of Ignition (LOI).
- Deposit "A" has a current JORC/43:101 compliant inferred "DSO" of 15mt at 56.5% Iron.
- In addition, Deposits "B", "C", "D", "H", "I" and "J" are also included in the MOU Alliance.

Source: Kimberley Metals 2009 Prospectus, pp. 40 – 42



## Yilgarn Iron Ore Project, Western Australia

The Company, through its 100% owned subsidiary, Yilgarn Iron Pty Ltd, has been actively exploring and extending its tenement base in the Yilgarn Craton, accumulating 12 projects extending over 2,118 square kilometres. The tenements are 100% owned by the Company.

The projects are in close proximity to Western Australian rail networks and are located at Dalwallinu, Wongan Hills, Goomalling, Bencubbin, Koolyanobbing, Brontie, Illaara, Ularring, Kukerin, Pingaring, Burngup and Balladonia.

The exploration targets are magnetite contained within the Archaean magnetite/banded iron formation (BIF) units.

During the year, the Company signed a Memorandum of Understanding (MOU) with a Chinese exploration bureau, Anhui Lianghuai Pty Ltd, a wholly owned subsidiary of the Anhui Provincial Bureau of Coal and Geology. Anhui Lianghuai has a state sanctioned mandate to actively source a variety of strategic minerals, including iron ore, globally.

The MOU follows a series of discus-

sions and initial due diligence, including visits to China during the year with a visit to the Anhui head office in Hefei in June 2011; and exploratory field trips to the Yilgarn Iron Ore Project by Anhui delegates.

The MOU provides both parties with the framework to negotiate potential terms of direct capital investment by way of a share placement in AMMG or its subsidiary, Yilgarn Iron Pty Ltd. The MOU further supports a potential Heads of Agreement for a Joint Venture Agreement for the development of the Yilgarn Iron Ore Project.

A further follow up trip to Anhui's Hefei office is scheduled for early November 2011, to progress the objectives of the MOU.

During the year, the Company was successful in its submission to the Western Australian Exploration Incentive Scheme (EIS) Co-Funding Drilling Program for its Bencubbin Project.

Additional historic data has been registered into GIS to aid BIF targeting and the future location of drill holes.





## Yilgarn Iron Ore Project, Western Australia



## Bencubbin Project

AMMG's 100% owned Bencubbin Project is made up of one granted tenement E70/4087, with a tenement area of approximately 250 square kilometres.

The tenement area covers a greenstone belt that generates a significant magnetic signature. Aeromagnetic analysis shows the geological structure under the surface for approximately 14km strike length (refer to image below).

AMMG was successful in its submission to the Exploration Incentive Scheme (EIS) Co-Funding Drilling Program for its Bencubbin Project. AMMG will be refunded up to a total of \$66,000 towards the planned drilling program.

Geologically, the area consists of a 20 kilometre greenstone belt striking NW to NNW. The greenstone consists of amphibolites and banded iron formation (BIF) as quartz-magnetite-haematite.

The area is also surrounded by some significant historical iron ore occurrences and also remnant greenstone belts considered to have precious metals potential.

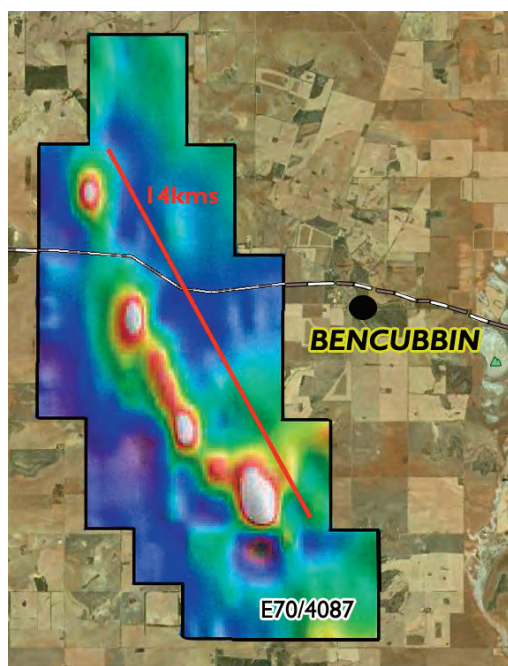
AMMG have devised a model for iron targeting within the BIF, which is known to contain cherty iron formation and magnetite-haematite associations. This has not been previously tested and would open up a new iron province if successful.

Drill hole location will be based on geological mapping, outcrop rock sample results, geophysics, together with access, logistics and environmental considerations.

Sampling and follow up assay testwork at 1-metre intervals would be required to evaluate for economic grade iron within the Bencubbin greenstone belt.

AMMG has taken samples of BIF and ironstone at seven outcrop sites which returned XRF iron assays of up to 38.1%.

The Company is currently preparing the exploration program with drill program logistics, access agreements and landowner information being compiled.





## East Pilbara Iron Ore Project, Western Australia

The Company has six (6) exploration licence applications in the north-eastern margin of the Pilbara Craton, covering approximately 1,100 square kilometres. The exploration licence applications are 100% owned by the Company.

The East Pilbara Project is situated approximately 60 kilometres east of the port of Port Hedland and approximately 6 kilometres from the Great Northern Highway.

The project was acquired on the basis of establishing a presence in the Pilbara's iron ore province on which to build through ground acquisitions or possible joint venture opportunities.

The project lies about 110 kilometres east of Port Hedland and is near BHP Billiton's Mount Goldsworthy JV, where iron ore products are derived from Nimingarra bedded ore type.

Atlas Iron Limited has completed a pre-feasibility study on their Ridley Magnetite Project.

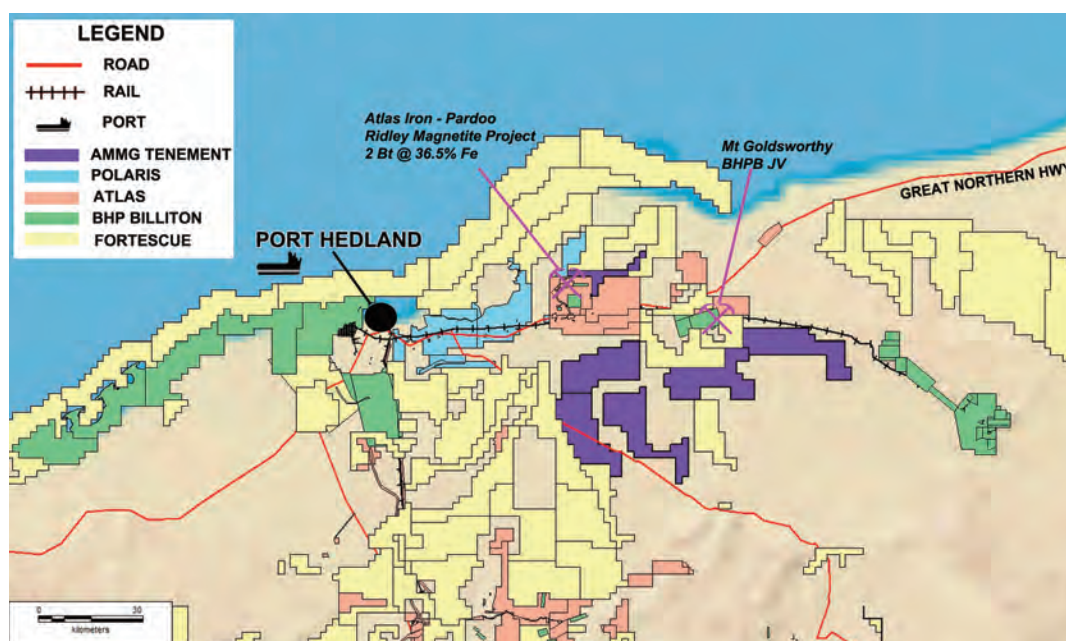
At this project, Atlas Iron quote a resource of 2.01Bt at 36.5% Fe with a concentrate mass recovery of 37.2% and a concentrate grade of 68.9% Fe.

One of AMMG's exploration licence applications E70/3653 covers an area to the northeast of the Ridley Magnetite Project, held by Atlas Iron.

AMMG proposes a staged exploration program at the East Pilbara Project.

A compilation of available magnetics and Landsat imagery will form the basis for the identification of targets with potential for magnetite iron ore mineralisation.

Subsequently, it is proposed that more detailed aeromagnetics will be acquired to refine these targets, with ground magnetics and drilling to follow.



## South West Kaolin/Aluminous Clay Projects, Western Australia

AMMG has one (1) granted exploration licence and nine (9) applications targeting kaolin and aluminous clay in the Yilgarn, South West, Western Australia, all of which are 100% owned by the Company.

The kaolin and aluminous clay project extends across four project areas: Meckering, Kerrigan, Kellerberrin and Bobalong. The total area under application and granted status is now over approximately 2,403 square kilometres.

AMMG's ground in the Yilgarn Craton has been subject to an ancient weathering process, which has resulted in a lack of impurities in the raw kaolin.

This weathering process has reportedly occurred over some of the oldest weathering in history. After approximately 180 million years of weathering, mineral elements of predominantly silica and alumina remain in

a friable, powdery, whitish surface residue with logged thicknesses of up to 42 metres.

The kaolin is a residual weathering product of granite and granitic-gneiss of the Western Gneiss Terrane in the Archaean Yilgarn Craton. The kaolin can typically be found at surface or near surface under a shallow overburden of laterite and mottled clays.

This type of kaolin is known as primary or residual kaolin, as it is found in situ.

This varies from a significant portion of the identified worldwide kaolin deposits, known as secondary kaolin, which have been transported by water to a new location and then deposited in relatively narrow lenses with some overburden at the bottom of ancient lakes and rivers.





## Meckering Project

AMMG's 100% owned Meckering Project carries a global JORC-compliant mineral resource of 65 million tonnes comprising 16.77 million tonnes at 83.2% brightness of indicated resource, and 48.28 million tonnes at 83.5% brightness of inferred resource.

The granted exploration licence E70/3923 is a 63-sub block licence covering approximately 184 square kilometres and is located 30 kilometres to the east of the major Wheatbelt service town of Northam.

Land access negotiations for the mineral rights on all areas contained within the JORC resource area have been successful.

Rio Tinto subsidiary, CRA Exploration Pty Ltd (CRAE), WA Kaolin Pty Ltd (WAK) and Minerals Corporation Ltd subsidiary, Swan River Kaolin (SRK), previously explored and evaluated the Meckering area for kaolinite and kaolin products in the 1980s and 1990s.

The Company's resource is based on information from 157 reverse circulation drill-holes and three bulk sample pits carried out by SRK. Holes are from 50 to 200m apart.

All resources are within 50m of the surface. The resource volumes were estimated by wire-framing a geological model using Gemcom software.

The resource was estimated using a minimum cut-off of 80% brightness. Average kaolin percentage and brightness was estimated using ordinary kriging.

The dry bulk density used is 1.6t/m<sup>3</sup>, which is considered conservative by industry norms, based on test work on similar deposits.

During the year, an international delegation with specialist knowledge on advanced dry kaolin processing technology visited the Company's Meckering Project.

Their innovative "dry process" is a unique technique that is not commonly attributed to the kaolin industry, with the potential to expand the use of kaolin to new markets such as rubber, refractory and cement industries.

The delegates presented the advantages of their technology in the context of the greater opportunities that exist in China and the Middle East markets and took samples of AMMG's kaolin for testing. The results of these samples are pending.

AMMG continues to review existing Meckering exploration data to progress with a new exploration program, to provide a potential resource upgrade.



## Meckering Project JORC Resources

	Tonnage	% -45 micron <sup>1</sup>	Brightness <sup>2</sup>
Indicated resource	16,770,000	42.3%	83.2%
Inferred resource	48,280,000	41.8%	83.5%
Total resource base	65,000,000	41.9%	83.4%
Exploration Target Range*	75-130m	-	-

1. The % minus 45 micron was measured by wet screening.
2. Brightness is the ISO brightness of the minus 45 kaolin.

\*The term "Target" should not be misunderstood nor misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the term has not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

## Mineral Analysis - Meckering Project

The Company continues to assess the quality of the kaolin samples with historical test results below indicating high levels of alumina ( $\text{Al}_2\text{O}_3$ ) at approximately 38%, being in the upper percentile for known grades globally. Additionally extremely low impurities of iron ( $\text{Fe}_2\text{O}_3$ ) and titanium ( $\text{TiO}_2$ ) add to the potential attractiveness of the product.

$\text{SiO}_2$ %	$\text{Al}_2\text{O}_3$ %	$\text{Fe}_2\text{O}_3$ %	$\text{TiO}_2$ %	$\text{CaO}$ %	$\text{MgO}$ %	$\text{Na}_2\text{O}$ %	$\text{K}_2\text{O}$ %	$\text{MnO}$ %	$\text{P}_2\text{O}_5$ %	lg.loss %	Total %
45.86	38.32	0.43	0.56	0.05	0.17	0.45	0.27	0.00	0.05	13.83	100.00

lg.loss: Loss of ignition (chemically bound water)

(dry screened -45 micron metres)

- 38% alumina ( $\text{Al}_2\text{O}_3$ )
- Low impurity, iron ( $\text{Fe}_2\text{O}_3$ ), titanium ( $\text{TiO}_2$ )

## Alumina Sample Produced

The Company supplied a kaolin sample from the Meckering Project to a Chinese technology holder for processing and analysis.

Results received from the technology holder indicated that 1.06 kilograms of 99% metallurgical grade alumina and 86 grams of 99.99% high purity alumina was successfully produced using a laboratory scale acid based process for the separation of alumina and silica from kaolin or aluminous clay.

	Metallurgical Alumina ( $\text{Al}_2\text{O}_3$ )	High-purity Alumina ( $\text{Al}_2\text{O}_3$ )
Experimental water	Industrial & decationised water (third grade)	Decationised water (third grade)
Sample weight	1065g	85g
Ignition loss	<1 wt%	<1 wt%
Purity, $\text{Al}_2\text{O}_3$	>99 wt%	>99.99 wt%
Crystal form (XRD)	Alpha ( $\alpha$ )	Alpha ( $\alpha$ )
Impurities, $\text{Fe}_2\text{O}_3$	<0.02 wt%	<30ppm
Impurities, $\text{SiO}_2$	<0.05 wt%	<45ppm
Impurities, $\text{Na}_2\text{O}$	0.02 wt%	<25ppm



## Kerrigan Project

On behalf of the Company, independent consultants Geos Mining delineated a JORC inferred resource at the Company's Bradley deposit within the Kerrigan Project of 85 million tonnes of kaolin at 85% brightness.

The 100% owned tenement (E70/4177) is located in the Wheatbelt shire of Kondinin, Western Australia.

E70/4177 is a 166 sub-block licence covering approximately 480 square kilometres and lies in close proximity to existing infrastructure. A second tenement application (E70/4053) adjoining E70/4177 is approximately 360 square kilometres in size.

The E70/4177 tenement exploration licence covers known kaolin outcrops and targets an area previously explored by CRA Exploration.

The resource was estimated using minimum cut-off of 80% brightness (where results were available). Average minus 45 micron and brightness values were estimated for the whole deposit. The limited test results are not sufficiently well spaced to reliably estimate parameters for different parts of the deposit. The logged colour indicates that the periphery of the deposit is likely to be less bright than the central part of the deposit.

The dry bulk density used is 1.6t/m<sup>3</sup>, which is based on typical values for similar deposits, and is likely to be conservative.

The estimated inferred resource for a high brightness paper filler product is 85 million tonnes with an ISO brightness of 85.1%. The minus 45 micron fraction is estimated to average 52% of the in situ material. The brightness is measured on the minus 10 micron size fraction (typical of a paper filler sizing); the minus 10 micron fraction is estimated from the drill results to form 44% of the in situ resource.

The size fractions must be considered indicative and potentially unreliable due a number of factors previously detailed.

AMMG continues to review existing Kerrigan exploration data to progress with a new exploration program to provide a potential resource upgrade.

The exploration licence application covers both crown and private freehold cleared farmland, which is used for grazing and broad acre cropping programs, therefore extinguishing native title constraints on such private freehold land. The estimated JORC resource is located wholly on private freehold land.

Land access on private freehold land is subject to landowner consent as Western Australian exploration licences on freehold land exclude surface rights until landowner consent is given.

AMMG is working on moving the licence to grant and a landowner access strategy is currently being implemented.



### Kerrigan Project JORC Resources

AMMG's Kerrigan Project has its own unique characteristics of extremely low iron (approximately 0.3%) and titanium dioxide (approximately 0.1%) giving a calcined alumina grade (after the removal of the chemically bound water via heating) of approximately 44.4% alumina and 53% silica.

	Tonnage	% -45 micron <sup>1</sup>	Brightness <sup>2</sup>
Inferred resource	85,000,000	52%	85.1%
Exploration Target Range*	140 - 190m	-	-

1. The % minus 45 micron was measured by wet screening.
2. Brightness is the ISO brightness of the minus 45 micron.

\*The term "Target" should not be misunderstood nor misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the term has not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

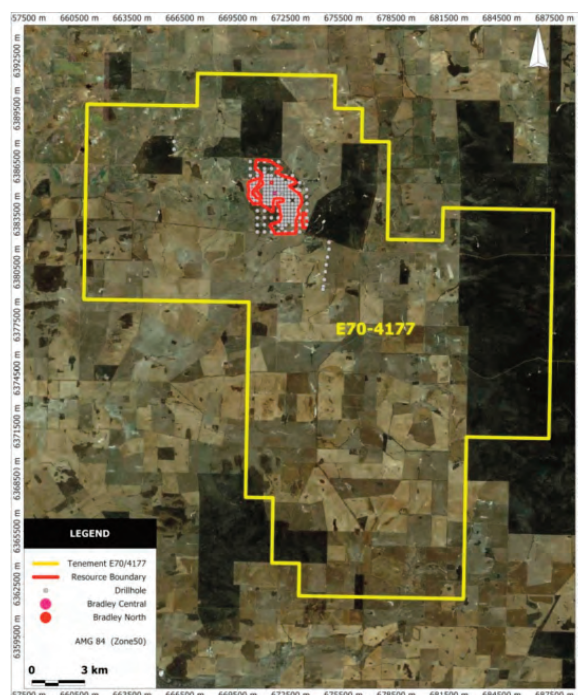
### Mineral Analysis - Kerrigan Project

During 1993 and 1994, CRA Exploration carried out comprehensive exploration and analytical work on the Kerrigan/Bradley kaolin deposit.

As part of their investigations, they undertook mineral and chemical analysis of outcrop, diamond drill core, and aircore samples.

An example of this work is tabled below from hole PBD220105B, sample 3792112. XRF analysis of diamond drill samples was undertaken on the minus 2 micrometre kaolinite fraction.

All samples were taken from areas now within AMMG's tenements.



Resource location within tenement

Kaolin Grade	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	Fe <sub>2</sub> O <sub>3</sub> %	TiO <sub>2</sub> %	MgO %	SO <sub>3</sub> %	Na <sub>2</sub> O %	K <sub>2</sub> O %	P <sub>2</sub> O <sub>5</sub> %	Ig.loss %	Total %
Sample grade from -2 micron kaolinite fraction	46.0	38.3	0.3	0.1	0.1	0.1	0.4	0.7	0.3	13.6	100.00
Calcined grade	53.3	44.4	0.3	0.1	0.1	0.1	0.5	0.8	0.3	-	100.00

Ig.loss: Loss of ignition (chemically bound water)  
(dry screened -45 micron metres)

- 38% alumina (Al<sub>2</sub>O<sub>3</sub>)
- Low impurity, iron (Fe<sub>2</sub>O<sub>3</sub>), titanium (TiO<sub>2</sub>)



## South West Kaolin/Aluminous Clay Projects, Western Australia



The 100% owned Kellerberrin Project is made up of two (2) tenement applications totalling approximately 408 square kilometres. The project is located at the Wheatbelt town of Kellerberrin, which is approximately 160 kilometres from Perth and just 65 kilometres for AMMG's Meckering Project.

The 100% owned Bobalong Project is made up of one (1) tenement application, which is approximately 568 square kilometres in size. The

project is situated at Tambellup, and is approximately 105 kilometres from the Albany Port.

Both projects are undergoing historical data reviews and database compiling, with a view to potential drilling later in the year.

The table below details the JORC resources for the Meckering and Kerrigan projects. Exploration targets for the Meckering, Kerrigan and Kellerberrin projects are also detailed below.

Project	Indicated (Mt)	Inferred (Mt)	Exploration Target* (Mt)	Land Holding Grant/App (km <sup>2</sup> )
Meckering	16,770,000	48,280,000	75-130	966
Kerrigan	-	85,000,000	140-190	459
Kellerberrin	-	-	70-110	408
Bobalong	-	-	-	568
<b>Total</b>	<b>16,770,000</b>	<b>133,280,000</b>	<b>285-430</b>	<b>2,401</b>

\*The term "Target" should not be misunderstood nor misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the term has not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.





AMMG, through its subsidiary Canning Coal Pty Ltd, has been actively exploring and extending its tenement base in the Canning Basin and now has seven (7) tenements applications extending over 1,402 square kilometres, which are 100% owned by AMMG.

The Canning Basin is emerging as a coal province in the northeast of Western Australia. As previously interpreted by government geological surveys, the exploration tenure has the potential to contain the target unit for coal, 'Lightjack formation', the host of other reported coal seam intersections.

The Lightjack formation hosts Rey Resources Limited's (ASX:REY) 305.8 million tonne thermal coal total P1 resource, 229.6 million tonne thermal coal total P2 resource (REY, ASX Announcements, April 2011 and June 2009) located northwest of AMMG's application tenure within the Canning Basin.

The Canning Basin area is generally under-explored, particularly for coal. Previously, coal exploration was directed on areas showing surface or near surface signs of coal.

Along with the potential port facilities at the Derby Port, there is now potential for significantly larger ship loading facilities, with the Western Australian government having expressed support for the development of a deep water port just north of Derby at Point Torment.

During the year, AMMG signed a Memorandum of Understanding (MOU) with a Chinese exploration Bureau, Anhui Lianghuai Pty Ltd, a local wholly owned subsidiary of the Anhui Provincial Bureau of Coal and Geology. The Bureau has a state sanctioned mandate to actively source a variety of minerals, including coal, globally.

The signing of the MOU follows a series of discussions and initial due diligence, including two AMMG visits to China earlier this year with a visit to the Anhui head office in Hefei, Anhui Province in June 2011; a subsequent visit to Anhui's Queensland office; and a recent exploratory field trip by an Anhui delegation to Derby and the Canning Coal Project area in the Kimberley, Western Australia.

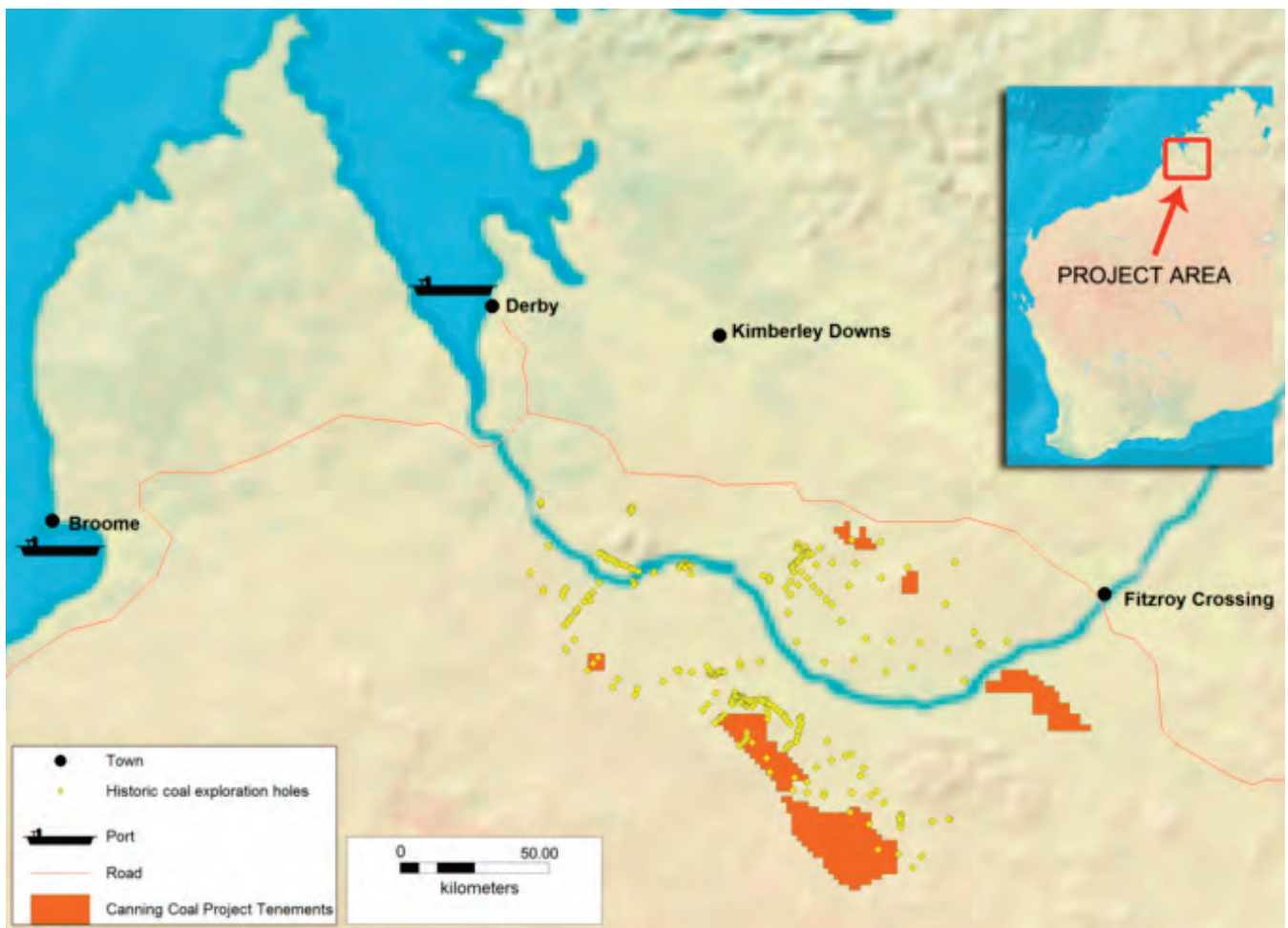
The MOU provides both parties with the framework to work together over the next few months to determine whether agreement can be reached on the terms of a direct capital investment by way of a share placement in AMMG or its subsidiary Canning Coal.

The MOU further supports a potential Heads of Agreement for a Joint Venture Agreement for the development of the Canning Coal Project.

A further follow up trip to Anhui's Hefei office is scheduled for early November 2011, to progress the objectives of the MOU.



# Canning Coal Project, Western Australia







## Lake Macleod Gypsum Project, Western Australia

Through its subsidiary, WA Gypsum Pty Ltd, the Company's Lake Macleod Project consists of four (4) tenement applications and one (1) granted tenement over previously drilled gypsum mineralisation in the Lake Macleod area, northwest, Western Australia, which are 100% owned by AMMG.

The total area granted and under application status is now over approximately 990 square kilometres. The exploration licence lies to the immediate east of Rio Tinto's salt operations on Lake Macleod, and contains three historical exploration target areas.

The Lake Macleod Gypsum Project is located approximately 950 kilometres north of Perth in the Gascoyne region of Western Australia. It is approximately 50 kilometres north of the regional centre of Carnarvon and is approximately 20-50 kilometres from the privately-operated coastal ship loading facilities at Cape Cuvier, which is a deep water port capable of accommodating vessels of up to 100,000 tonnes.

During the year, the Company announced the Lake Macleod North Project (two tenements, E08/1891 and E08/2304)

has an inferred mineral resource of 30.9Mt of gypsum at a grade of 89.5% using a cut-off of 85% contained  $\text{CaSO}_4$  (calcium sulphate) as detailed in the resource estimation below prepared by independent geological consultants, Reynard Australia.

Prima Resources NL assessed the potential of the northern part of Lake Macleod for gypsum and lime in 1995. Prima defined both a gypsum deposit and also limestone of suitable quality for supplying lime to the cement industry.

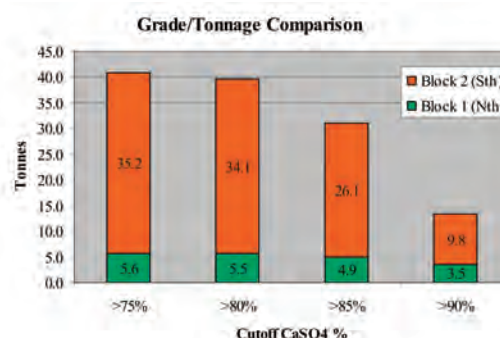
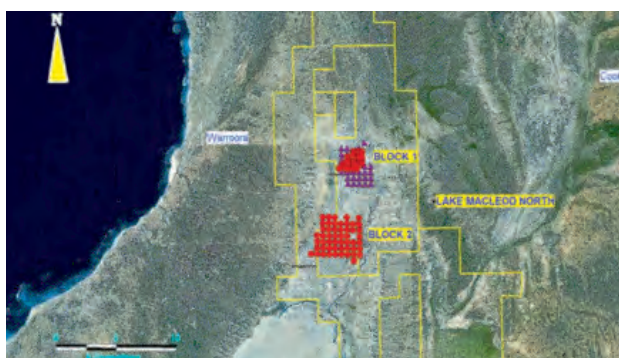
The available drill hole data for the project's resource assessment was produced by Prima Resources from auger drilling carried out in the mid 1990's.

The resources are divided into two blocks, with Block 1 and 2 in the centre of AMMG's Lake Macleod North licences (see below).

The Company is currently reviewing the current resource with both Blocks 1 and 2 open to the north and south and the potential to increase the resource. The ground between Block 1 and Block 2 and south of Block 2 in particular is being investigated.

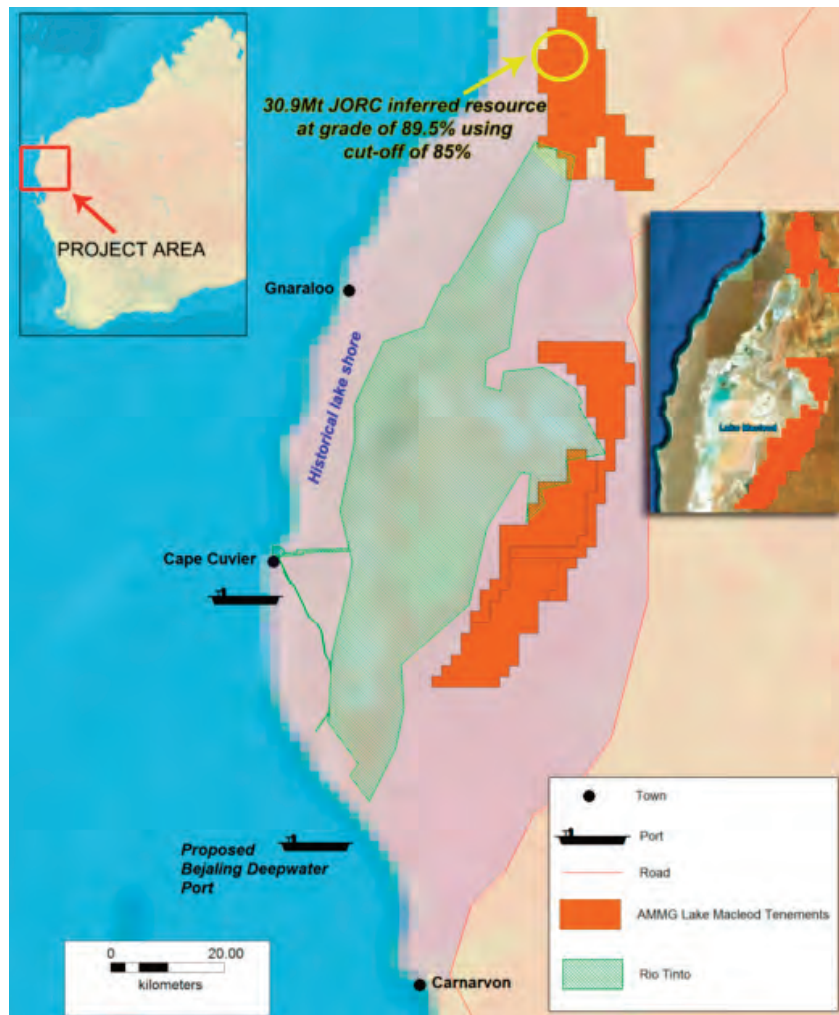
### Inferred Resources

	<i>M Tonnes</i>	<i>M Tonnes</i>	<i>M Tonnes</i>	<i>M Tonnes</i>
Block 1 (North)	5.6	5.5	4.9	3.5
Block 2 (South)	35.2	34.1	26.1	9.8
<b>Total</b>	<b>40.8</b>	<b>39.6</b>	<b>30.9</b>	<b>13.2</b>
Overall Grade	87.7%	88.0%	89.5%	92.1%
Cut-off Grade	>75%	>80%	>85%	>90%





# Lake Macleod Gypsum Project, Western Australia



## South West Mineral Sands Project, Western Australia

The Company has one (1) granted tenement at Gairdner, 140 kilometres from the Albany Port; and one (1) tenement at Beenup near Scott River, which covers approximately 20 square kilometres. The tenements are 100% owned by AMMG.

The granted Gairdner tenement is approximately 136 square kilometres in size. The area was explored for heavy minerals in the late 1980's by Eucla Mining NL, which reported concentrations of ilmenite and zircon.

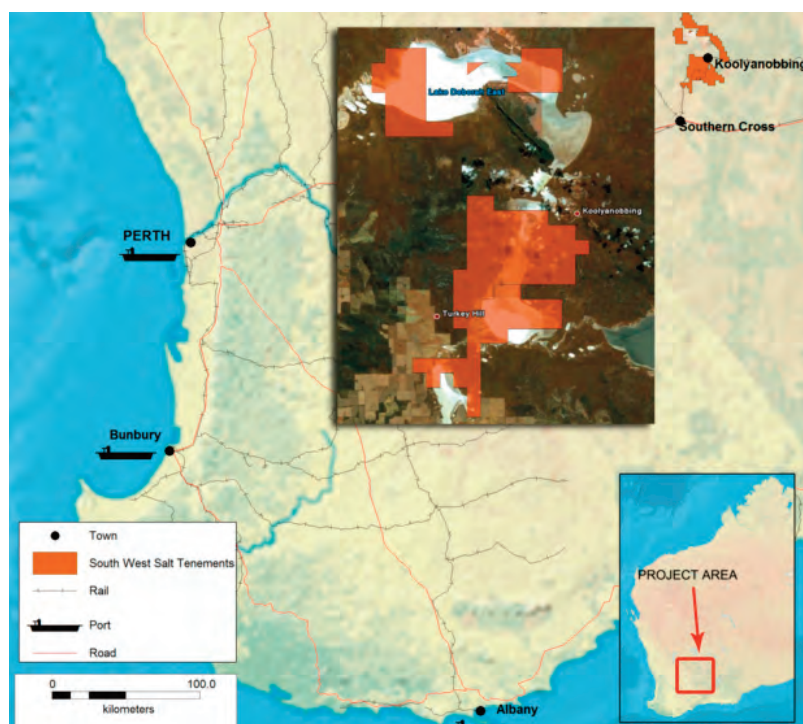
The Beenup tenement covers a portion of an area previously held by BHP.

Historically, the Beenup discovery was announced in 1988 and was in production from 1995 to 1999, after which it was placed in care and maintenance.

The Company will continue to evaluate the historical data available on the South West Mineral Sands Project along with investigating potential joint venture partners via marketing studies.



## South West Salt Project, Western Australia



The Company has entered into a joint venture agreement and has three (3) granted tenements and one (1) application totalling approximately 334 square kilometres around the Wheatbelt area of Western Australia at Lake Deborah.

AMMG is targeting areas that have recorded a historical production of salt and have received significant groundwater ingress, which generally causes dissolution of the lakes' surface as a salt crust.

The Company is looking to extend its project footprint to potential production opportunities in salt.

There is currently an existing salt harvesting and production facility operating from the north-eastern side of the lake by WA Salt Supply.

This existing operation currently stockpiles and exports a variety of salt grades through the Kooyanobbing rail siding.



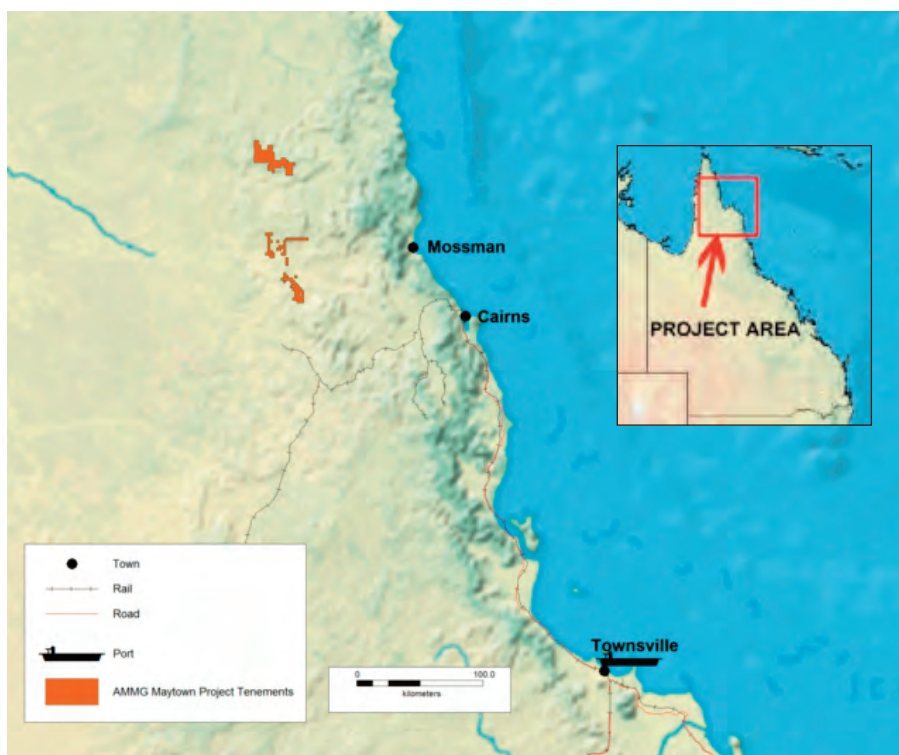
## Maytown Gold Project, Queensland

The Company has applied for two (2) EPMs at Maytown, which was the main settlement of the Palmer River goldfields in far north Queensland during the gold rush in 1873.

Historically, gold was worked mainly from alluvial deposits, but today the Maytown area still has the potential to host auriferous quartz reefs in the surrounding hills.

The Maytown Gold Project is located approximately 150 kilometres northwest of Cairns. The tenements cover a total area of approximately 550 square kilometres.

The Company is currently reviewing a potential joint venture opportunity with an interested alluvial mining company on the Maytown Gold Project.



### Competent Person Statement

Technical information in this report is based on information compiled by Mr Ric Dawson, B. App. Sc. (Geol.) EMBA, AMMG Managing Director and a member of the Australasian Institute of Mining and Metallurgy. Mr Dawson has sufficient exploration experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC 2004"). Mr Dawson consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

## High Purity Alumina

Alumina ( $\text{Al}_2\text{O}_3$ ) is used in a variety of applications such as refractory materials and ceramics due to its high heat resistance and thermal conductivity.

High purity alumina refers to alumina with a purity of greater than 99.99% and a uniform fine particle size. High purity alumina is used in electronic substrates (circuits) for electronic devices such as computers, televisions and hybrid cars.

The demand for high purity alumina is increasing as it is an essential component in a range of advanced technology and industrial applications.

The size of the global high-purity alumina market has been estimated at approximately 7,500 tonnes annually.

### High Purity Alumina Applications

#### *Sapphire single crystal*

Sapphire single crystal is manufactured using high purity alumina as a raw material. These synthetic sapphires are used for infrared and laser optics (scientific instruments), high-durability windows, wristwatch crystals and thin electronic wafers. Sapphire single crystal is commonly used in light emitting diodes (LEDs).

Due to their low energy consumption and the small size of modern LEDs, they are now used in a variety of home and automotive equipment such as computer displays, automotive lighting and mobile phone lighting.

#### *Phosphor*

High purity alumina mixed with barium (Ba), magnesium (Mg) and compound and calcining the mixture can produce aluminate phosphors, which are used for the next generation material of display. Plasma display panels (PDP) are a particularly competitive television market, with 18.2 million plasmas produced in 2010 globally.

#### *Automotive Sensor*

Air to fuel ratio sensors (AFR sensors) are used in controlling the air to fuel ratio in automotive engines and carry out highly precise adjustments of the fuel injection. An alumina substrate is used for its excellent electrical insulating properties and high heat conductivity. It is pertinent that the alumina substrates feature high density and fine grain size. The market for AFR sensors is currently expanding.

#### *Semi-conductor*

A large amount of high purity  $\text{Al}_2\text{O}_3$  is used in the fields of semi-conductor modern electronics (computers, televisions) and liquid crystal displays (LCD).





### Market Price

The tables below detail the reported per kilogram price of various grade alumina, ranging from \$US141,000 per tonne to \$US396,000 per tonne depending on its purity and particle size.

The viles below show AMMG's raw kaolin and alumina samples received from the Chinese technology holder.

### Market Demand - Expanding

A leading supplier of high purity alumina is Sumitomo Chemical Limited, which has ap-

proximately a 50% share in the field of high purity alumina for LEDs. The current production capacity of Sumitomo is 1,600 tons per year, while the company recently decided to build a new production line that will bring its production capacity to 3,200 tons per year until Q2, 2012. Other leading suppliers include Baikowski and Sasol.

The production of high purity alumina is around 7,500tpa from the industry experts' estimation. It is also anticipated to grow at approximately 7% compound annual growth rate (CAGR), primarily driven by the new application market.

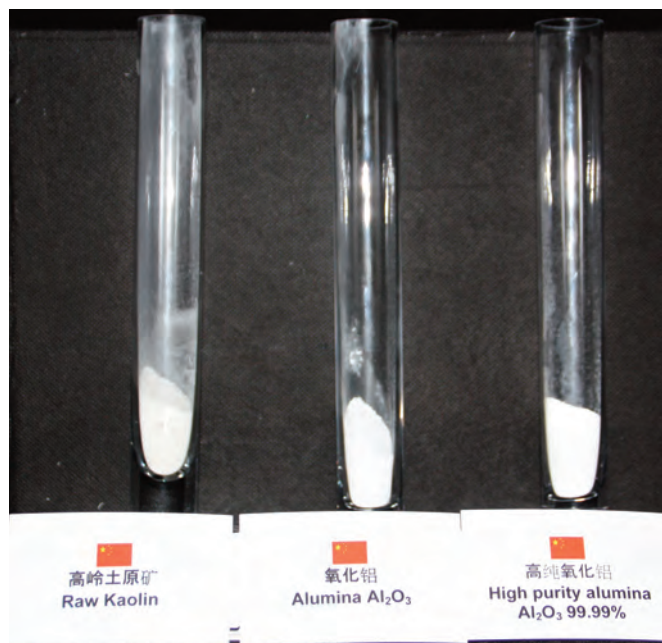
### High Purity Alumina Pricing from Manufacturers

Type	Purity	Particle Size	Price
Alumina alpha	99.99%	0.5-10µm	\$396/kg
Alumina alpha	99.99%	50nm	\$221/kg
Alumina alpha	99.99%	0.3-0.8µm	\$155/kg

Source: Skyspring Nanomaterials  
http://www.ssnano.com/powders

Type	Purity	Particle Size	Price
alpha-alumina	99.999%	5µm	\$176/kg
alpha-alumina	99.99+ %	0.5-4µm	\$79.4/kg
alpha-alumina	99.99%	100nm	\$122/kg

Source: Inframat Advanced Materials  
www.advancedmaterials.us/matchem.html



AMMG's raw kaolin, metallurgical alumina and high purity alumina samples

The information contained in this market overview section is of a general nature, and has been sourced via industry publications. Whilst all care has been taken to ensure the accuracy of the statements contained, the Company makes no warranty, express or implied, as to the completeness or accuracy of the information, and each of the Company's officers, employees and advisers expressly disclaims any responsibility or liability for the accuracy of such statement. All parties should seek independent expert advice or carry out their own assessment as to the accuracy or otherwise of the statements.

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## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

The Directors present their report on Australia Minerals & Mining Group Limited at the end of, or during the year ended 30 June 2011.

#### DIRECTORS

The names and details of the Directors of Australian Minerals & Mining Group Limited during the financial year and until the date of this report are:

**Richard Morris Dawson** – B.App.Sc(Geol). EMBA MAusIMM MAICD  
**Managing Director**  
**Appointed 10 January 2011**

Mr Ric Dawson was appointed inaugural Managing Director of the Company in early January, 2011. He was previously Managing Director of Western Australian based gold, copper and iron ore explorer, Prosperity Resources Ltd.

Mr Dawson has over 25 years experience in the Australian and international resource industries, and is a qualified geologist.

As the founder of Prosperity Resources Ltd, Mr Dawson successfully managed and developed the company's exploration projects in WA, the NT, and Indonesia. He oversaw the advancement of the Masuparia gold porphyry project based in Indonesia. The Woolshed Iron Ore project at Mt Gibson was managed, discovered and developed by Mr Dawson.

Furthermore, he has lead commercial negotiations with numerous Chinese steel companies, and played key roles in successful capital raisings, joint ventures, and IPO's. Mr Dawson has worked for over 10 years for one of the leading Australian broking firms, and has a wealth of experience in senior executive and financial/marketing roles.

**Luke Frederick Atkins** – LLB  
**Non-Executive Chairman**  
**Appointed 8 May 2007**

Luke Atkins is currently a non-executive director of the ASX-listed mining and exploration company, Bauxite Resources Ltd, a role which he has held since co-founding the company in 2007. He has had experience in the resource sector from project generation, exploration, project management, project finance, commercial and legal structuring, and corporate development.

Mr Atkins has extensive experience in capital raisings and has held a number of executive and non-executive directorships of private and publicly listed companies, including a number of mining and exploration companies.

Mr Atkins is a lawyer by profession and was previously the principal of Atkins and Co Lawyers, a Perth-based legal firm, which he owned and managed for seven years. Mr Atkins brings to the board extensive experience in the areas of minerals exploration, legal matters, and corporate governance.

During the three year period to the end of the financial year, Mr Atkins continues to hold a directorship in Bauxite Resources Ltd (17 February 1995 to present). He previously held directorships in Reclaim Industries Ltd.

**David John Brook** – BA (Hons, First Class)  
**Non-Executive Director**  
**Appointed 17 September 2009**

David Brook is currently an investor relations account manager at Professional Public Relations firm. He is an experienced mining industry executive and consultant, specialising in the fields of investor relations, financial and corporate communications, government and community relations and sustainability. He has almost 20 years experience in the global resources sector and government in Australia, New Zealand and Asia, including experience with resource industry leaders Rio Tinto and Alcoa.

Mr Brook previously operated his own investor relations and financial corporate communications consultancy. Prior to this he was Head of Investor Relations and Corporate Affairs for Consolidated Minerals Limited, an ASX 200 and AIM listed diversified mining company. He managed investor relations and corporate communications strategy during one of the most highly competitive corporate actions in recent years – a \$1.2 billion, 15 month

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

transaction, involving multiple global bidders and diverse market and government stakeholders. Mr Brook has extensive networks in the Australian, UK and US financial and investment markets.

Mr Brook brings to the Board extensive corporate experience in the mining and government sectors. As a government relations and issues management adviser for Alcoa Australia, Mr Brook managed Alcoa's state and federal government relations strategies for major growth projects in Australia. Previously Mr Brook worked in corporate communication management roles with Western Australian minerals sands miner, Iluka Resources Limited, and Rio Tinto subsidiary, Robe River Iron Associates.

Between 1990 and 2000, Mr Brook served as a diplomat, posted in Wellington, Canberra and Thailand. He has an excellent knowledge of Asian trade and investment practices and government regulatory regimes, as well as significant experience, and networks, in international trade, economics and government relations.

***Christopher John Forrester***  
**Non-Executive Director**  
**Appointed 30 June 2009**

Chris Forrester brings to the board extensive strategic development, operational and marketing skills, with over 30 years business and management experience.

Mr Forrester was responsible for the establishment and development of Entyre Rubber Systems Pty Ltd and after selling the company, played a key role in the growth transformation of the company into an ASX listed enterprise, trading as Reclaim Ltd. Reclaim went on to become the Australian industry leader in its sector, undergoing significant expansion nationally and internationally, securing markets in Asia, the Middle East, the US and the UK.

As Executive Director of Reclaim Ltd, Mr Forrester was responsible for overseeing the day to day operational management of the company, the ongoing review of process improvement and the identification and implementation of expansion strategies. Mr Forrester has had extensive business dealings in China and the Middle East.

Prior to his work with Reclaim Ltd, Mr Forrester worked in the agricultural industry, the mining industry, as a sub contract miner, and as the Assistant Manager of the blast hole division of Thomson Drilling.

***Daniel Lewis Tenardi***  
**Non-Executive Director**  
**Appointed 17 September 2009**

Dan Tenardi is a highly experienced mining executive with some 40 years in the industry, including with a number of global resource industry leaders across a range of commodities, including iron ore, gold, bauxite, and copper. His wealth of knowledge, international networks and depth of experience in managing bulk ore operations is ideally suited to the Company's ongoing business plan.

Mr Tenardi has recently been appointed Chief Executive Officer of Ngarda Civil & Mining, an Indigenous owned and operated contracting company, providing earthmoving, civil engineering and contract mining services to the resource and construction sectors. Ngarda Civil and Mining was established in 2000 as a small contractor in the Pilbara. Ngarda are now the largest Indigenous contracting company in Australia.

Prior to this appointment, Dan was Managing Director of Bauxite Resources Ltd, where he led the rapid growth of the company from its initial exploration phase, expansion of land holdings, to the commencement of trial shipments and securing supportive strategic partnerships with key Chinese partners.

Mr Tenardi previously spent 13 years with Alcoa, at its bauxite mines in the Darling Range in Western Australia, and a further two years at Alcoa's Kwinana refinery. He has substantial gold mining experience, including with Roche Mining at the Kalgoorlie Superpit and at Anglo Gold Ashanti's Sunrise Dam. Mr Tenardi subsequently worked at executive level for Rio Tinto's Robe River Iron Associates and their East Pilbara Division, and was appointed as a Director of Robe River Iron Associates in the latter years of his employment with Rio Tinto.

Mr Tenardi also held the positions of General Manager of Operations and Chief Operating Manager at CITIC Pacific Mining. At CITIC Pacific, Mr Tenardi helped develop the largest magnetite iron ore mine in Australia and was responsible for the strategic development of the Company's Australian and global mining operations. These roles have helped Mr Tenardi foster close working relationships with Chinese stakeholders in all aspects of mine development.



# AUSTRALIA MINERALS & MINING GROUP LIMITED

## DIRECTORS' REPORT

### COMPANY SECRETARY

*Piers Lewis – B.Comm. CA.*  
**Company Secretary/Chief Financial Officer**  
**Appointed 10 January 2011**

Piers Lewis joined the Company in January, 2011. Mr Lewis is a Chartered Accountant with 13 years corporate experience, and has held executive and senior management positions throughout London and Australia. Mr Lewis also holds Company Secretary and CFO positions with other ASX-listed resource companies.

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of mineral exploration and development principally in Australia.

There have been no significant changes in these activities during the financial year.

### RESULTS OF OPERATIONS

The net loss after income tax for the financial year was \$922,075 (2009: \$613,894).

### DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

### REVIEW OF OPERATIONS AND ACTIVITIES

The past twelve months has seen the Company add value to its diversified exploration projects through strategic acquisition of mineral projects; adding to its resource base; negotiations with Chinese enterprises; and exploring potential joint venture opportunities.

In January, the Company announced at its 100% owned Meckering Project carries a global JORC-compliant mineral resource of 65 million tonnes comprising 16.77 million tonnes at 83.2% brightness of indicated resource, and 48.28 million tonnes at 83.5% brightness of inferred resource. Surface mineral rights were successfully negotiated with private landowners within the exploration licence.

The Company supplied a kaolin sample from its Meckering Project to a Chinese technology holder for processing and analysis. Results received from the technology holder indicated that 1.06 kilograms of 99% metallurgical grade alumina and 86 grams of 99.99% high purity alumina was successfully produced using a laboratory scale acid based process for the separation of alumina and silica from kaolin or aluminous clay.

The Company added a further seven exploration licence applications in Meckering, Kellerberrin and Bobalong, making the total South West Kaolin/Aluminous Clay Project area 2,433 square kilometres.

In March, AMMG announced a maiden gypsum resource at its Lake Macleod North Project, Western Australia. The maiden 30.9 million tonnes inferred resource of gypsum was delineated by independent consultants, Reynard Australia at a grade of 89.5% using a cut of 85% contained calcium sulphate.

The Constance Range Iron Ore Alliance was launched in June with Viento Group Ltd, Icon Resources Ltd, Resolve Geo Pty Ltd and AMMG Ltd signing the MOU. The Alliance' tenement holdings together contain 92kms of prospective iron ore formation. The Alliance's aim is to work towards a potential regional consolidation. Strategic development meetings commenced in June, with future equity meetings to be held later in the year to discuss potential IPO and capital raising sizes.

### Corporate and Financial Position

As at 30 June 2011 the Company had cash reserves of \$6.6 million.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## DIRECTORS' REPORT

### Business Strategies and Prospects

The Company currently has the following business strategies and prospects over the medium to long term:

- (i) Seek to increase the value of the Company's mineral assets located in Australia through exploration success;
- (ii) Undertake exploration activities on its existing Projects; and
- (iii) Continue to examine new mineral opportunities, with particular focus on advanced projects with the potential to deliver early cash flow opportunities.

### Risk Management

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Non-Executive Chairman having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Non-Executive Chairman Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

### EMPLOYEES

The Company has 5 employees as at 30 June 2011 (2010: 2).

### EARNINGS/LOSS PER SHARE

	2011	2010
	Cents	Cents
Basic loss per share	(0.1)	(0.01)
Diluted loss per share	(0.1)	(0.01)

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes were as follows:

On 20 September 2010 the Company issues 500,000 unlisted options with an exercise price of \$0.25 per share and expiry of 15 September 2015 to employees under the EIS.

On 10 January 2011 the Company appointed Mr Ric Dawson as Managing Director of the Company.

On 12 January 2011 Mr Piers Lewis was appointed Company Secretary. Mr Sam Middlemas resigned on that same day.

On 13 May 2011 the Group issued 17,000,000 ordinary shares following the conversion of 17,000,000 Class A performance shares.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

### OPTIONS OVER UNISSUED CAPITAL

#### Unlisted Options

During the financial year the Company granted the following unlisted options over unissued ordinary shares to the following Directors and Key Management Personnel. All employee options were issued for Nil consideration:

<i>Issued To</i>	<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Value per Option at Grant Date</i>	<i>Value of Options Granted</i>	<i>Expiry Date</i>
Employees	500,000	0.25	\$0.0839	\$41,950	15 Sept 2015



## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

Since 30 June 2011 and up until the date of this report there have been no further options issued.

As at the date of this report unissued ordinary shares of the Company under option are:

<i>Number of Options on Issue</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
8,000,000	20 cents each	31 August 2015
1,000,000	20 cents each	8 February 2015
500,000	25 cents each	8 February 2015
500,000	30 cents each	8 February 2015
666,667	30 cents each	4 February 2015
500,000	25 cents each	15 September 2015

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

The names of all persons who currently hold options granted are entered in a register kept by the Company pursuant to Section 168(1) of the *Corporations Act 2001* and the register may be inspected free of charge.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

#### CORPORATE STRUCTURE

Australian Minerals & Mining Group Limited (ACN 125 301 206) is a company limited by shares that was incorporated on 8 May 2007 and is domiciled in Australia.

#### EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

As announced on 9 September 2011, the Company is offering a pro-rata offer of one new option for every one existing listed option exercisable on or before 20 October 2011 at an exercise price of \$0.20 at an issue price of 0.1 cents per New Option to raise approximately \$42,000.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Company.

#### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware there has been no known breach of the Company's licence conditions and all exploration activities comply with relevant environmental regulations.

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

#### INFORMATION ON DIRECTORS

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	Title	Directors' Interest in Ordinary Shares	Directors' Interest in A Class Performance Shares	Directors' Interest in Listed Options	Directors' Interest in Unlisted Options
Luke Atkins	Non-Executive Chairman	5,750,000	-	-	6,000,000
Ric Dawson	Managing Director	-	-	1,000,000	-
David Brook	Non-Executive Director	-	-	-	2,000,000
Christopher Forrester	Non-Executive Director	2,775,000	-	1,116,223	-
Daniel Tenardi	Non-Executive Director	8,500,000	-	-	-

#### DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held in the period each Director held office during the financial year and the numbers of meetings attended by each Director were:

Director	Board of Directors' Meetings	
	Meetings Attended	Meetings held while a director
Luke Atkins	9	9
Ric Dawson	5	5
David Brook	9	9
Christopher Forrester	9	9
Daniel Tenardi	8	9

#### REMUNERATION REPORT

Recommendation 8.1 of the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> edition)* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

This report details the amount and nature of remuneration of each Director of the Company and executive officers of the Company during the year.

#### Overview of Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide the Non-Executive Chairman and the executive team with a remuneration package consisting of a fixed and variable component that together reflects the person's responsibilities, duties and personal performance. An equity based remuneration arrangement for the Board and the executive team is in place. The remuneration policy is to provide a fixed remuneration component and a specific equity related component, with no performance conditions. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and business objectives.

The remuneration policy in regard to setting the terms and conditions for the Non-Executive Chairman has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.



## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% per annum and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part or all of their salary to increase payments towards superannuation.

All remuneration paid to Directors is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

#### Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting, and has been initially set not to exceed \$200,000 per annum. Actual remuneration paid to the Company's Non-Executive Directors is disclosed below. Remuneration fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

#### Non-Executive Chairman and Senior Management

The remuneration of the Non-Executive Chairman is dictated by an executive service agreement.

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives in line with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

#### Structure

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Issuance of unlisted options

#### Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including any employee benefits e.g. motor vehicles) as well as employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration packages for the staff who report directly to the Non-Executive Chairman are based on the recommendation of the Non-Executive Chairman, subject to the approval of the Board in the annual budget setting process.

#### Service Agreement

The Non-Executive Chairman, Mr Luke Atkins is employed under a contract for services with his private company Executive Resources Personnel Pty Ltd ("ERP"). The Agreement commenced on the date of listing on 27 January 2010.

Under the terms of the present contract:

- The Agreement is for a period of three years and can be terminated by the Company giving 12 months written notice, or ERP by providing three months written notice.
- ERP will provide consulting services for which it will be remunerated \$4,400/week, plus a vehicle allowance of \$1,450 per month.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## DIRECTORS' REPORT

### REMUNERATION REPORT (Continued)

Details of the nature and amount of each element of the emoluments of each Director and Executive Officer of Australian Minerals & Mining Group Limited paid/accrued during the year are as follows:

	Primary		Post Employment	Equity Compensation	
2010/2011	Base Salary/Fees \$	Motor Vehicle \$	Superannuation Contributions \$	Performance Shares \$	Total \$
<b>Directors</b>					
R Dawson – Managing Director	104,677	-	9,421	110,000	214,677
L Atkins – Non-Executive Chairman (i)	290,993	-	-	-	290,933
D Brook – Non-Executive (ii)	40,000	-	-	-	40,000
C Forrester – Non-Executive (iii)	40,000	-	-	-	40,000
D Tenardi – Non-Executive (iv)	40,000	-	-	-	40,000
<b>Executives</b>					
P Lewis – Company Secretary/CFO (vi)	32,923	-	-	-	32,923
S Middlemas – Company Secretary/CFO	24,570	-	-	-	24,570

	Primary		Post Employment	Equity Compensation	
2009/2010	Base Salary/Fees \$	Motor Vehicle \$	Superannuation Contributions \$	Options \$	Total \$
<b>Directors</b>					
Luke Atkins – Non-Executive Chairman (i)	117,600	7,250	-	264,000	388,850
D Brook – Non-Executive (ii)	58,619	-	-	88,000	146,619
C Forrester – Non-Executive (iii)	19,066	-	-	-	19,066
D Tenardi – Non-Executive (iv)	16,666	-	-	-	16,666
<b>Executives</b>					
S Middlemas - Company Secretary (iv)	30,300	-	-	21,301	51,601
W Witham - Exploration Manager (v)	49,250	-	-	54,631	103,881

- (i) Chairman's fees were all paid to Executive Resource Personnel Pty Ltd.
- (ii) Directors' fees were all paid to Brook Consulting.
- (iii) Directors' fees were all paid to Calcat Resources Pty Ltd.
- (iv) Mr Middlemas resigned as Company Secretary on 12 February 2010 – all fees were paid to Sparkling Investments Pty Ltd.
- (v) Mr Witham commenced as Exploration Manager on 8 February 2010 – all fees were paid to Australian Renewable Energy Pty Ltd.
- (vi) Mr Lewis was appointed Company Secretary on 12 January 2011 – all fees were paid to Cranley Consulting Pty Ltd.

### Share-based compensation

There were no options that have been issued by the Company. The Company issued Class B, C and D Performance shares to Mr R Dawson, as approved by shareholders at the meeting dated 11 May 2011. The Board of Directors, excluding Mr Dawson, have attached a fair value to these performance shares issued. The performance shares convert to ordinary shares upon various milestones being achieved by the Company. As at the date of this report, these milestones have not been met.



## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTORS' REPORT

#### INDEMNIFYING OFFICERS AND AUDITOR

During the year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. The premium paid during the year for the insurance policy was \$23,200.

The Company has not provided any insurance for an auditor of the Company.

#### AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Company's auditors Moore Stephens, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

#### NON-AUDIT SERVICES

There were no non-audit services provided by the external auditors during the year.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

#### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance for a Company of the current size. The Company's corporate governance statement is contained in the Annual Report.

DATED at Perth this 30<sup>th</sup> day of September 2011.

Signed in accordance with a resolution of the Directors.

**R Dawson**  
Managing Director

AUSTRALIA MINERALS & MINING GROUP LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

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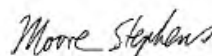
AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF AUSTRALIA MINERALS AND MINING GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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



**Neil Pace**  
Partner



**Moore Stephens**  
Chartered Accountants

Dated this 30th day of September 2011,  
in Perth, Western Australia.



**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2011

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
		\$	\$
Other income	2	<u>403,079</u>	<u>205,212</u>
Accounting and audit fees		22,237	10,000
ASX and Share Registry fees		36,102	13,190
Chairman's fees		245,993	106,100
Company Secretarial fees		54,614	30,300
Directors' fees		166,668	88,473
Depreciation	3	25,140	10,506
Employee Benefit expense		220,641	21,463
Insurance expense		31,730	21,310
Rent expense		51,761	50,398
Expense of share-based payments	3	267,018	427,932
Exploration Written off	3	-	-
Other expenses		<u>203,250</u>	<u>39,434</u>
Loss before income tax		922,075	613,894
Income tax	5	<u>-</u>	<u>-</u>
Net loss attributable to members of the Company	12	<u>922,075</u>	<u>613,894</u>
Other Comprehensive Loss net of tax		<u>-</u>	<u>-</u>
Total Comprehensive Loss		<u>922,075</u>	<u>613,894</u>
Basic earnings/(loss) per share (cents per share)	18	(0.1) cents	(0.01) cents
Diluted earnings/(loss) per share (cents per share)	18	(0.1) cents	(0.01) cents

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**AUSTRALIA MINERALS & MINING GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the year ended 30 June 2011

	<u>NOTES</u>	<u>2011</u> \$	<u>2010</u> \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19(a)	6,580,296	7,925,895
Other receivables	6	143,577	27,543
Other assets	7	7,500	6,000
<b>TOTAL CURRENT ASSETS</b>		<b>6,731,373</b>	<b>7,959,438</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment and motor vehicles	8	61,235	77,733
Capitalised mineral exploration expenditure	9	1,272,321	698,442
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,333,556</b>	<b>776,175</b>
<b>TOTAL ASSETS</b>		<b>8,064,929</b>	<b>8,735,613</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	101,791	117,418
<b>TOTAL CURRENT LIABILITIES</b>		<b>101,791</b>	<b>117,418</b>
<b>TOTAL LIABILITIES</b>		<b>101,791</b>	<b>117,418</b>
<b>NET ASSETS</b>		<b>7,963,138</b>	<b>8,618,195</b>
<b>EQUITY</b>			
Contributed equity	11(a)	8,804,581	8,804,581
Share Option Reserve	13	694,950	427,932
Accumulated losses	12	(1,536,393)	(614,318)
<b>TOTAL EQUITY</b>		<b>7,963,138</b>	<b>8,618,195</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*



**AUSTRALIA MINERALS & MINING GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2011

	Notes	Contributed Equity	Share Based Payment Reserve	Losses	Total
<b>BALANCE AT 1 JULY 2009</b>		472	-	(424)	48
Total comprehensive loss for the year	12			(613,894)	(613,894)
<b>TOTAL COMPREHENSIVE INCOME</b>				(613,894)	(613,894)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the year	11(b)	8,804,109	-	-	8,804,109
Directors' and Employees options		-	427,932	-	427,932
<b>BALANCE AT 30 JUNE 2010</b>		8,804,581	427,932	(614,318)	8,618,195
<b>BALANCE AT 1 JULY 2010</b>		8,804,581	427,932	(614,318)	8,618,195
Total comprehensive loss for the year	12	-		(922,075)	(922,075)
<b>TOTAL COMPREHENSIVE INCOME</b>		-	-	(922,075)	(922,075)
Shares issued during the year	11(b)	-		-	-
Performance shares issued		-	110,000	-	110,000
Directors' and Employees options		-	157,018	-	157,018
<b>BALANCE AT 30 JUNE 2011</b>		8,804,581	694,950	(1,536,393)	7,963,138

*The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.*

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CASHFLOWS**

For the year ended 30 June 2011

	<u>NOTES</u>	<u>2011</u>	<u>2010</u>
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		259,502	205,212
Payments for exploration and evaluation		(846,331)	(244,053)
Payments for Research & Development		(67,702)	-
Payments to suppliers and employees (inclusive of goods and services tax)		(682,428)	(305,445)
<b>Net cash used in operating activities</b>	19(b)	<u>(1,336,958)</u>	<u>(100,233)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment and motor vehicles		(8,641)	(88,239)
<b>Net cash used in investing activities</b>		<u>(8,641)</u>	<u>(332,292)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	9,237,705
Costs of shares issued		-	(773,596)
Proceeds of Loans		-	9,202
Repayment of Loans		-	(119,560)
<b>Net cash provided by financing activities</b>		<u>-</u>	<u>8,353,751</u>
<b>Net (decrease)/increase in cash held</b>		<b>(1,345,599)</b>	<b>7,921,226</b>
<b>Cash at the beginning of the financial year</b>		<u><b>7,925,895</b></u>	<u><b>4,669</b></u>
<b>Cash at the end of the financial year</b>	19(a)	<u><u><b>6,580,296</b></u></u>	<u><u><b>7,925,895</b></u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Australian Minerals & Mining Group Limited ("AMMG" or "Company"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Australian Minerals & Mining Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Stock Exchange. The financial statements are presented in Australian dollars which is the Company's functional currency.

#### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors on 30<sup>th</sup> September 2011.

#### (b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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 periods affected. None of the balances reported have been derived from estimates.

#### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.



# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Revenue Recognition

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

##### *Interest income*

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

#### (e) Cash and Cash Equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

#### (f) Plant and equipment and motor vehicles

Each class of plant and equipment and motor vehicles is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### *Plant and equipment and motor vehicles*

Plant and equipment and motor vehicles are stated at cost less accumulated depreciation and any impairment in value.

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

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

##### *Depreciation*

Depreciable non-current assets are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- |                     |          |
|---------------------|----------|
| • Plant & equipment | 20 - 33% |
| • Motor vehicles    | 22.5%    |

#### (g) Employee Entitlements

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

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

#### (h) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- Exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose 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 re-classified from intangible assets to mining property and development assets within property, plant and equipment.

#### (i) Goods and Services Tax (GST)

Revenues, 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 Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

#### (j) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (k) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### (l) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

#### (m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lesser effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

#### (n) Share-based payment transactions

The Company provides benefits to employees (including Directors and consultants) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, consultants and senior executives.

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

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australia Minerals and Mining Group Ltd. ("market conditions").

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



# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

#### (o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (p) Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Company. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Company has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Company has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

#### (q) New accounting standards and interpretations

During the current year, the Company adopted the revised Australian Accounting Standards, which became mandatory. The adoption of these Standards had no material impact on the Company's Financial Statements.

#### (r) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Australia Minerals & Mining Group Limited at the end of the reporting period. A controlled entity is any entity over which Australia Minerals & Mining Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>2. OTHER INCOME</b>		
Other Income		
Interest	<u>403,079</u>	<u>205,212</u>
<b>3. EXPENSES</b>		
Contributions to employees superannuation plans	34,327	1,931
Depreciation - Plant and equipment	8,238	7,395
- Motor vehicles	3,733	3,111
Exploration Written off	-	-
Share Based Payment expense	267,018	427,932
Training	<u>5,838</u>	<u>-</u>
<b>4. AUDITORS' REMUNERATION</b>		
<b>Audit – Moore Stephens</b>		
Audit and review of the financial statements	<u>17,687</u>	<u>10,000</u>

**5. INCOME TAX**

No income tax is payable by the Company as it has incurred losses for income tax purposes for the year, therefore current tax, deferred tax and tax expense is \$Nil (2009 - \$Nil).

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Loss from continuing operations	<u>(922,075)</u>	<u>(613,894)</u>
Tax at the tax rate of 30% (2010: 30%)	(276,622)	(184,168)
Tax effect of amounts which are deductible in calculating taxable income:		
Non-deductible expenses	80,105	128,380
Other allowable expenditure		
Deferred tax asset not brought to account	<u>196,517</u>	<u>55,789</u>
Income tax expense	<u>-</u>	<u>-</u>

**(b) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised	<u>2,156,942</u>	<u>1,674,812</u>
Potential tax benefit at 30%	<u>647,083</u>	<u>502,444</u>

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

**5. INCOME TAX (Continued)**

**(c) Unbooked Deferred Tax Assets and Liabilities**

Unbooked deferred tax assets comprise:

	<u>2011</u>	<u>2010</u>
	\$	\$
Provisions/Accruals/Other	139,247	185,663
Tax losses available for offset against future taxable income	<u>534,139</u>	<u>209,556</u>
	<u><u>673,386</u></u>	<u><u>395,219</u></u>

Unbooked deferred tax liabilities comprise:

Capitalised mineral exploration and evaluation expenditure	<u>87,679</u>	<u>107,225</u>
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**(d) Franking credits balance**

The Company has no franking credits available as at 30 June 2011 (2010: \$Nil).

**6. OTHER RECEIVABLES**

**Current**

GST recoverable	-	27,543
Accrued Interest	<u>143,577</u>	<u>-</u>

**7. OTHER ASSETS**

**Current**

Prepayments	<u>7,500</u>	<u>6,000</u>
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**8. PLANT AND EQUIPMENT AND MOTOR VEHICLES**

Plant and office equipment		
At cost	64,586	55,058
Accumulated depreciation	<u>(25,956)</u>	<u>(7,395)</u>
	<u>38,630</u>	<u>47,663</u>
Motor vehicles		
At cost	33,181	33,181
Accumulated depreciation	<u>(10,577)</u>	<u>(3,111)</u>
	<u>22,605</u>	<u>30,070</u>
	<u><u>61,235</u></u>	<u><u>77,733</u></u>



**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

**8. PLANT AND EQUIPMENT AND MOTOR VEHICLES (Continued)**

**Reconciliation**

Reconciliation of the carrying amounts for each class of plant and equipment and motor vehicles are set out below:

	<u>2011</u>	<u>2010</u>
	\$	\$
<i>Plant and office equipment</i>		
Carrying amount at beginning of the year	47,663	-
Additions	9,528	55,058
Depreciation	<u>(18,561)</u>	<u>(7,395)</u>
Carrying amount at the end of the year	<u>38,630</u>	<u>47,663</u>
<i>Motor vehicles</i>		
Carrying amount at beginning of the year	30,070	-
Additions	-	33,181
Depreciation	<u>(7,465)</u>	<u>(3,111)</u>
Carrying amount at the end of the year	<u>22,605</u>	<u>30,070</u>

**9. CAPITALISED MINERAL EXPLORATION EXPENDITURE**

**Non-Current**

*In the exploration phase*

Cost brought forward	698,442	105,737
Expenditure incurred during the year (at cost)	573,879	252,705
Class A Performance shares – Gypsum value	-	340,000
Exploration expenditure written off	<u>-</u>	<u>-</u>
	<u>1,272,321</u>	<u>698,442</u>

The recoupment of costs carried forward is dependent on the successful development and/or commercial exploitation or alternatively sale of the respective areas of interest.

**10. TRADE AND OTHER PAYABLES**

**Current (Unsecured)**

Trade creditors	7,368	59,106
Other creditors and accruals	<u>94,423</u>	<u>58,312</u>
	<u>101,791</u>	<u>117,418</u>

Included within trade and other creditors and accruals is an amount of Nil (2010- \$8,651) relating to exploration expenditure.

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

**11. CONTRIBUTED EQUITY**

**(a) Ordinary Shares**

	<u>2011</u> \$	<u>2010</u> \$
100,975,002 (2010: 83,975,002) fully paid ordinary shares	8,804,581	8,804,581

**(b) Share Movements During the Year**

	2011		2010	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial year	83,975,002	8,804,581	47,000,002	472
<i><b>New share issues during the year</b></i>				
Consolidation of Vendors capital	-	-	(17,000,000)	(170)
Seed Capital Issue at 8 cents per share	-	-	16,475,000	1,318,000
IPO Share Issue at 20 cents per share	-	-	37,500,000	7,500,000
Proceeds from Option Issue	-	-	-	419,875
Valuation of A Class Performance Shares	-	-		340,000
Less costs of share issue	-	-		(773,596)
Conversion of Performance shares to Ordinary Shares	17,000,000	-		
	<u>100,975,002</u>	<u>8,804,581</u>	<u>83,975,002</u>	<u>8,804,581</u>

**(c) Class A Performance Shares**

The Company converted 17,000,000 Class A Performance Shares ("Performance Shares") to ordinary shares on 13 May 2011 upon the Company identifying a JORC compliant inferred resource of 25 million tonnes of gypsum from the Company's tenements located in Lake Macleod, Western Australia (**Milestone**). The Performance Shares converted into fully paid ordinary shares on a one for one basis as the Milestone was achieved within 5 years from the date on which the Company became listed on the ASX.

**(d) Class B Performance Shares**

The Company issued 2,000,000 Class B Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$20,000,000, provided this occurs before the Class B Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of eighteen (18) months continuous employment with the Company in the position of Managing Director (Class B Employment Milestone);

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 11. CONTRIBUTED EQUITY (Continued)

#### (e) Class C Performance Shares

The Company issued 3,000,000 Class C Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$35,000,000, provided this occurs before the Class C Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of twenty-four (24) months continuous employment with the Company in the position of Managing Director (Class C Employment Milestone); and

#### (f) Class D Performance Shares

The Company issued 3,000,000 Class D Performance Shares to Mr Ric Dawson on 11 May 2011. The performance shares convert to ordinary shares automatically upon:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$50,000,000, provided this occurs before the Class D Employment Milestone (as defined below); and
- (ii) Mr Dawson has completed a minimum of thirty-six (36) months continuous employment with the Company in the position of Managing Director (Class D Employment Milestone).

#### (g) Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
500,000	25 cents each	15 September 2015

There have been no other options issued by the Company since its incorporation, and none of the above options have been converted.

#### (h) Share Based Payments

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3.

The average remaining contractual life for the share options outstanding as at 30 June 2011 is between 3 and 4 years. The range of exercise prices for options outstanding at the end of the year was between 20 cents and 30 cents. The fair value of options granted during the year was \$41,950, of which \$12,815 has been expensed in the current year (2010 – 427,932).

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options issued during the year ended 30 June 2011 and 30 June 2010:

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

**11. CONTRIBUTED EQUITY (Continued)**

Date of Issue	15 Sept 2010
Number of Options	500,000
Volatility (%)	75%
Risk-free interest rate (%)	5.13%
Expected life of option (years)	5.0
Exercise price (cents)	25
Share price at grant date (cents)	8
Value per option (cents)	8.39

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**(i) Terms and Conditions of Contributed Equity**

**Ordinary Shares**

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	<u>2011</u> \$	<u>2010</u> \$
<b>12. ACCUMULATED LOSSES</b>		
Accumulated losses at the beginning of the year	614,318	424
Net loss attributable to members	<u>922,075</u>	<u>613,894</u>
Accumulated losses at the end of the year	<u>1,536,393</u>	<u>614,318</u>

**13. RESERVES**

**Share based payments Reserve**

Balance at the beginning of the year	427,932	-
Add: Amounts expensed in current year	<u>267,018</u>	<u>427,932</u>
Balance at the end of the year	<u>694,950</u>	<u>427,932</u>



# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 13. RESERVES

#### Share based payments reserve

The share based payments reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options / performance shares are exercised / converted.

### 14. OPTION PLAN

The establishment of the Australian Minerals & Mining Group Limited Employee Incentive Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders. All eligible Directors, executive officers, employees and consultants of Australian Minerals & Mining Group Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

### 15. RELATED PARTIES

Full remuneration details for Directors and Executives are included in the Directors' report where the information has been audited. During the current financial year there were no loans made or outstanding at year end (2010 - \$106,635).

Other transactions with Key Management Personnel

- (i) Mr Luke Atkins' parents own the premises that the Company rents for its registered office. During the year the Company paid \$51,761 (2010 - \$50,398) on normal commercial terms and conditions.

#### Movement in Shares

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors and Executive Officers of the Company or their personally-related entities are as follows:

#### Ordinary shares and options

2010/2011	Ordinary Shares	Listed Options	Unlisted Options
	30 June 2011	30 June 2011	30 June 2011
Mr L Atkins	5,750,000	-	6,000,000
Mr R Dawson <sup>1</sup>	-	1,000,000	-
Mr D Brook	-	-	2,000,000
Mr C Forrester	2,775,000	1,116,223	-
Mr D Tenardi	8,500,000	-	-
Mr P Lewis <sup>2</sup>	-	-	-
Mr S Middlemas <sup>3</sup>	150,000	10,000	333,334
2009/2010	30 June 2010	30 June 2010	30 June 2010
Mr L Atkins	4,393,617	-	6,000,000
Mr D Brook	-	-	2,000,000
Mr C Forrester	2,232,447	1,119,223	-
Mr D Tenardi	5,968,085	-	-
Mr S Middlemas <sup>3</sup>	150,000	10,000	1,000,000

<sup>1</sup> Mr Dawson was appointed Managing Director on 10 January 2011

<sup>2</sup> Mr Lewis was appointed Company Secretary on 12 January 2011

<sup>3</sup> Mr Middlemas resigned as Company Secretary on 12 January 2011

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

**15. RELATED PARTIES (Continued)**

**Performance shares**

2010/2011	A Class Performance Shares <sup>1</sup>	B Class Performance Shares	C Class Performance Shares	D Class Performance Shares
	30 June 2011	30 June 2011	30 June 2011	30 June 2011
Mr L Atkins	-	-	-	-
Mr R Dawson	-	2,000,000	3,000,000	3,000,000
Mr D Brook	-	-	-	-
Mr C Forrester	-	-	-	-
Mr D Tenardi	-	-	-	-
Mr S Middlemas	-	-	-	-
2009/2010	30 June 2010	30 June 2010	30 June 2010	30 June 2010
Mr L Atkins	1,356,353	-	-	-
Mr D Brook	-	-	-	-
Mr C Forrester	542,553	-	-	-
Mr D Tenardi	2,531,915	-	-	-
Mr S Middlemas	-	-	-	-

<sup>1</sup> Class A Performance Shares converted to ordinary shares on 12 May 2011.

Note all movements for the year are through purchases – there were no sales during the year.

**16. EXPENDITURE COMMITMENTS**

**(a) Exploration**

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to \$903,900 (2010: \$155,507). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

**(b) Operating Lease Commitments**

Total operating lease expenditure contracted for at balance date but not provided for in the financial statements, payable:

	<u>2011</u> \$	<u>2010</u> \$
Not later than one year	-	13,200
Between one and five years	-	-
	<u>-</u>	<u>13,200</u>

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 16. EXPENDITURE COMMITMENTS

The operating lease relates to the Company's registered office premises in Claremont. The operating lease is for a one year term expiring on 30 September 2011. The operating lease entitles the Company to renew the term of the lease for a further period after the expiry date, or continue on a monthly basis.

#### (c) Capital Commitments

The Company had no capital commitments at 30 June 2011 (2010 - \$Nil).

### 17. SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the Company is domiciled and operates in one segment being Australia.

	<u>2011</u> \$	<u>2010</u> \$
<b>18. EARNINGS/ (LOSS) PER SHARE</b>		
The following reflects the loss and share data used in the calculations of basic and diluted earnings/ (loss) per share:		
Earnings/ (loss) used in calculating basic and diluted earnings/ (loss) per share	(922,075)	(613,894)
	<u>Number of Shares 2011</u>	<u>Number of Shares 2010</u>
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	86,210,618	59,585,687
<i>Effect of dilutive securities</i>		
Share options*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/ (loss) per share	86,210,618	59,585,687
Basic and Diluted loss per share (cents per share)	0.1 cents	0.01 cents

#### \*Non-dilutive securities

As at balance date, 11,000,000 unlisted options (30 June 2010: Nil) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

**AUSTRALIA MINERALS & MINING GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2011

	<u>2010</u> \$	<u>2009</u> \$
<b>19. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Cash and Cash Equivalents</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash on hand	2	2
Cash at bank	37,494	140,118
Deposits at call	<u>6,542,800</u>	<u>7,785,775</u>
	<u>6,580,296</u>	<u>7,925,895</u>
<b>(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities</b>		
Loss from ordinary activities after income tax	(922,075)	(613,894)
<i>Non-cash items:</i>		
Depreciation	25,140	10,506
Expense of share-based payments	267,018	427,932
<i>Change in operating assets and liabilities:</i>		
Increase in exploration	(507,205)	
Increase (Decrease) in receivables	(143,577)	
Decrease (Increase) in prepayments	1,500	(6,000)
Increase in trade creditors and accruals	<u>(89,117)</u>	<u>81,223</u>
Net cash outflows used in operating activities	<u>(1,336,958)</u>	<u>(100,233)</u>

**(c) Stand-By Credit Facilities**

As at 30 June 2011 the Company has a business credit card facility available totalling \$10,000 of which \$4,116 was utilised.



AUSTRALIA MINERALS & MINING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

20. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

2011

Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Fixed Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total \$
<u>Financial Assets</u>					
Cash and cash equivalents	19(a)	37,494	6,542,800	2	6,580,296
Other receivables	6	-	-	143,577	143,577
Total Financial Assets		37,494	6,542,800	143,579	6,723,873
<u>Financial Liabilities</u>					
Payables	10	-	-	(101,791)	(101,791)
Total Financial Liabilities		-	-	(101,791)	(101,791)
Net Financial Assets		37,494	6,542,800	41,788	6,622,082

2010

<u>Financial Assets</u>						
Cash and cash equivalents	20(a)	5.22%	3,022,921	4,902,972	2	7,925,895
Other receivables	6	-	-	-	27,543	27,543
			<hr/>			
Total Financial Assets			3,022,921	4,902,972	27,545	7,953,438
			<hr/>			
<u>Financial Liabilities</u>						
Payables	10	-	-	-	(117,417)	(117,417)
			<hr/>			
Total Financial Liabilities			-	-	(117,417)	(117,417)
			<hr/>			
Net Financial Assets			3,022,921	4,902,972	(89,872)	7,836,021

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

#### 20. FINANCIAL INSTRUMENTS (Continued)

The Company does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

##### (c) Commodity Price Risk and Liquidity Risk

At the present state of the Company's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Company's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

##### (d) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

#### 21. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

##### *Employee Entitlements*

There were no employee entitlements at 30 June 2011.

##### *Directors, Officers, Employees and Other Permitted Persons Option Plan*

Details of the Company's Directors, Officers, Employees and Other Permitted Persons Option Plan are disclosed in Note 14.

##### *Superannuation Commitments*

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessment of the plans is required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.
- during the year employer contributions (including salary sacrifice amounts) to superannuation plans totaled \$34,327 (2010: \$1,931).

#### 22. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2011 other than:

##### **Native Title and Aboriginal Heritage**

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

### 23. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years apart from:

As announced on 9 September 2011, the Company is offering a pro-rata offer of one new option for every one existing listed option exercisable on or before 20 October 2011 at an exercise price of \$0.20 at an issue price of 0.1 cents per New Option to raise approximately \$42,000.

### 24. PARENT ENTITY DISCLOSURES

	2011 \$	2010 \$
Financial position		
Assets		
Current Assets	6,731,373	7,959,438
Non-Current Assets	1,336,644	776,175
<b>Total Assets</b>	<b>8,068,017</b>	<b>8,735,613</b>
Liabilities		
Current Liabilities	101,791	117,418
<b>Total Liabilities</b>	<b>101,791</b>	<b>117,418</b>
Equity		
Contributed equity	8,804,581	8,804,581
Accumulated losses	(1,533,305)	(614,318)
Option reserve	694,950	427,932
<b>Total Equity</b>	<b>7,966,226</b>	<b>8,618,195</b>
Financial Performance		
Loss for the year	(918,688)	(613,894)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(918,688)</b>	<b>(613,894)</b>

### 25. CONTROLLED ENTITIES

Investments in controlled entities comprise:

Name	Principal activities	Beneficial percentage held by economic entity	
		2011	2010
		%	%
Australia Minerals & Mining Group Ltd	Parent entity		
Wholly owned controlled entities:			
Kaolin Resources Pty Ltd	Mineral exploration	100	100
WA Gypsum Pty Ltd	Mineral exploration	100	0
Yilgarn Iron Pty Ltd	Mineral exploration	100	0
Canning Coal Pty Ltd	Mineral exploration	100	0

All controlled entities are incorporated in Australia. Australia Minerals and Mining Group Limited is the head entity of the consolidated group, which includes all of the controlled entities.

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### DIRECTOR'S DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 42 to 63, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

**R Dawson**

Dated this 30<sup>th</sup> day of September 2011



AUDIT REPORT

MOORE STEPHENS  
ACCOUNTANTS & ADVISORS

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Perth WA 6000

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
AUSTRALIA MINERALS AND MINING GROUP LIMITED

**Report on the Financial Report**

We have audited the accompanying financial report of Australia Minerals and Mining Group Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australia Minerals and Mining Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

AUSTRALIA MINERALS & MINING GROUP LIMITED

AUDIT REPORT

**MOORE STEPHENS**  
ACCOUNTANTS & ADVISORS

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*Opinion*

In our opinion:

- a) the financial report of Australia Minerals and Mining Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 8 to 10 of the directors' report for the period ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the remuneration report of Australia Minerals and Mining Group Limited for the period ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**Neil Pace**  
Partner



**Moore Stephens**  
Chartered Accountants

Dated this 30th day of September 2011,  
in Perth, Western Australia.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australia Minerals & Mining Group Limited ("AMMG") is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

### 1. BOARD OF DIRECTORS

#### 1.1 Role of the Board and Management

#### ASX Principle 1

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

#### 1.2 Composition of the Board

#### ASX Principle 2

The Company currently has the following Board members:

Mr Luke Atkins	Non-Executive Chairman
Mr Ric Dawson	Managing Director
Mr David Brooks	Non-Executive Director
Mr Chris Forrester	Non-Executive Director
Mr Daniel Tenardi	Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### CORPORATE GOVERNANCE STATEMENT

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board has assessed the independence status of the directors and has determined that the independent directors are:

- Christopher Forrester; and
- David Brook.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be appointed.

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

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

#### 1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.



## AUSTRALIA MINERALS & MINING GROUP LIMITED

### CORPORATE GOVERNANCE STATEMENT

#### 1.3 Committees of the Board (Continued)

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

The Company continues to monitor its compliance with Listing Rule 12.7 with respect to the requirement to have an audit committee and to comply with the best practice recommendations set by the ASX Corporate Governance Council in relation to the composition, operation and responsibility of the audit committee.

#### 1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

#### 1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

### 2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

#### 2.1 Code of Conduct for Directors

#### ASX Principle 3

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

## CORPORATE GOVERNANCE STATEMENT

### 2.1 Code of Conduct for Directors (Continued)

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

### 2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates; perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### 2.3 Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all Directors and employees of the Group. Directors and employees must not:

- deal in the Company's securities on considerations of a short term nature and must also take reasonable steps to prevent any person connected with them from doing the same;
- deal in the Company's securities during a close period; and
- deal in any of the Company's securities if they have unpublished price-sensitive information.

A 'close period' is:

- the period of five days immediately preceding the preliminary announcement of the Company's annual results; and
- the period of five days immediately preceding the announcement of the Company's half-year results.

'Unpublished price sensitive information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to have a significant effect on the price or value of the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others - including colleagues, family or friends - knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, clearance must be obtained from the Chairman before dealing in any securities and Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company. Breaches of this policy will be subject to disciplinary action, which may include termination of employment. The share trading policy can be viewed on the Company's website.

## AUSTRALIA MINERALS & MINING GROUP LIMITED

### CORPORATE GOVERNANCE STATEMENT

#### 2.4 Interests of Other Stakeholders

ASX Principle 10

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

#### 3. DISCLOSURE OF INFORMATION

##### 3.1 Continuous Disclosure to ASX

ASX Principle 5

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

1. It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
2. The information is confidential; or
3. One of the following applies:
  - i. It would breach a law or regulation to disclose the information;
  - ii. The information concerns an incomplete proposal or negotiation;
  - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - iv. The information is generated for internal management purposes;
  - v. The information is a trade secret;
  - vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information;
  - vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

##### 3.2 Communication with Shareholders

ASX Principle 6

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

## CORPORATE GOVERNANCE STATEMENT

### 4. RISK MANAGEMENT AND INTERNAL CONTROL

#### 4.1 Approach to Risk Management and Internal Control

ASX Principle 7

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licences, permits and approvals from governmental authorities;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

#### 4.2 Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that management has developed and implemented a sound system of risk management and internal control.

In 2011 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

#### 4.3 Integrity of Financial Reporting

ASX Principle 4

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

#### 4.4 Role of External Auditor

ASX Principle 6

The Group's practice is to invite the auditor (who now must attend) 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 auditor's report.



## AUSTRALIA MINERALS & MINING GROUP LIMITED

### CORPORATE GOVERNANCE STATEMENT

#### 5. PERFORMANCE REVIEW

#### ASX Principle 8

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

In 2011, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

#### 6. REMUNERATION ARRANGEMENTS

#### ASX Principle 9

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

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

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## CORPORATE GOVERNANCE STATEMENT

During the 2011 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Ref	Notification of Departure	Explanation for Departure
2.1	A majority of the Board are not independent directors.	The Board considers that only one out of the five Directors are independent directors in accordance with the ASX Corporate Governance Council's definition of independence: Mr Christopher Forrester (Independent Non-Executive) The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent non-executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.2	The Chairman is not Independent	Mr Atkins currently holds the position of Non-Executive Chairman which does not comply with the ASX Corporate Governance Council's recommendations. While the Board considers the importance of a division of responsibility and independence at the head of the Company, the existing structure is considered appropriate and provides a unified leadership structure. Mr Atkins has been the major force behind the IPO of the Company and its current growth and direction. The Board considers at this stage of the Company's development he is able to bring quality and independent judgement to all relevant issues, and the Company benefits from his long standing experience of its operations and business relationships
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed and there is not an Audit Committee operating charter.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Company continues to monitor its compliance with Listing Rule 12.7 with respect to the requirement to have an audit committee and to comply with the best practice recommendations set by the ASX Corporate Governance Council in relation to the composition, operation and responsibility of the audit committee.
8.1	There is no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

Further details of the Company's corporate governance policies and practices are available on the Company's website at [www.ammg.com.au](http://www.ammg.com.au).

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2011.

### TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

#### Ordinary Shares

Name	No of Ordinary Shares Held	Percentage % of Issued Shares
Lake Macleod Gypsum Pty Ltd	23,800,002	23.57
Tenardi Daniel Lewis	7,000,000	6.93
Cunningham Peterson Sharb	6,000,000	5.94
Aust Mineral Investment Group	3,750,000	3.71
Forrester Christopher J	2,750,000	2.72
Vanguard Custs Pty Ltd	2,750,000	2.72
Eagle River Holdings Pty Ltd	2,600,000	2.57
Aust Global Cap Pty Ltd	2,500,000	2.48
Atkins Luke Frederick	2,000,000	1.38
Sharbanee Paul Gabriel	1,700,000	1.68
Tenardi D L & Jankowska S	1,500,000	1.49
Albatross Pass Pty Ltd	1,200,000	1.19
Arredo Pty Ltd	800,000	0.79
Cheng Wing Res Ltd	800,000	0.79
Paso Holdings Pty Ltd	760,537	0.75
Mikado Corp Pty Ltd	750,000	0.74
Shah Nom Pty Ltd	750,000	0.74
Conti Lina	700,500	0.69
TSE Management Pty Ltd	625,099	0.62
Bowden Graeme	625,000	0.62
<b>Total Top 20</b>	<b>63,361,138</b>	<b>62.72</b>
Others	37,613,864	37.28
<b>Total Ordinary Shares on Issue</b>	<b>100,975,002</b>	<b>100.00</b>

AUSTRALIA MINERALS & MINING GROUP LIMITED

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF LISTED SECURITIES (Continued)

\$0.20 Listed Options

Name	No of \$0.20 Listed Options Held	Percentage of \$0.20 Listed Options
Lake Macleod Gypsum Pty Ltd	8,470,323	20.18
Eagle River Pty Ltd	1,170,000	2.79
Forrester Christopher J	1,103,723	2.63
Classico Holdings Pty Ltd	1,000,000	2.38
Southwell Vanessa Helen	1,000,000	2.38
Albatross Pass Pty Ltd	977,868	2.33
TwoFiveTwo Pty Ltd	875,000	2.08
Music Martin	870,000	2.07
Key International Pty Ltd	700,000	1.67
LTL Cap Pty Ltd	700,000	1.67
Belloc Pty Ltd	680,000	1.62
Burford Matthew David	671,692	1.60
Andreassen Leif C	534,661	1.27
Mulato Nom Pty Ltd	500,000	1.19
Peterson Jason + Lisa	500,000	1.19
Bousgas Constantine	500,000	1.19
LTL Cap Pty Ltd	500,000	1.19
Worldwide Business Ltd	500,000	1.19
Cunningham A R + Snooks	404,965	0.96
<b>Total Top 20</b>	<b>21,658,232</b>	<b>51.58</b>
Others	20,329,269	48.42
<b>Total \$0.20 Listed Options on Issue</b>	<b>41,987,501</b>	<b>100.00</b>



# AUSTRALIA MINERALS & MINING GROUP LIMITED

## ADDITIONAL INFORMATION

### DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of security holders by size of holding as at 30 September 2011:

Distribution	Ordinary Shares		\$0.20 Listed Options	
	Number of Shareholders	Number of Shares	Number of Option holders	Number of Options
1 – 1,000	4	897		
1,001 – 5,000	19	69,369	84	405,725
5,001 – 10,000	100	979,150	22	183,500
10,001 – 100,000	244	11,578,169	204	8,103,294
100,001 – and over	122	88,347,417	80	33,294,982
<b>Totals</b>	<b>489</b>	<b>100,975,002</b>	<b>390</b>	<b>41,987,501</b>

There were 11 holders of less than a marketable parcel of ordinary.

### SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 30 September 2011 are:

Substantial Shareholder	Number of Shares
Lake Macleod Gypsum Pty Ltd	23,800,002
Daniel Tenardi & Associates	7,000,000
Cunningham Peterson Sharb	6,000,000

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## ADDITIONAL INFORMATION

### UNQUOTED SECURITIES

#### 1 Class B Performance Shares

Holder	Number
<b>Class B Performance Shares</b>	
Classico Holdings Pty Ltd*	2,000,000
<b>Total</b>	<b>2,000,000</b>
* An entity controlled by Mr Ric Dawson	

The Class B Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$20,000,000; and
- (ii) Mr Dawson has completed a minimum of eighteen (18) months continuous employment with the Company in the position of Managing Director (Class B Employment Milestone).

#### 2 Class C Performance Shares

Holder	Number
<b>Class C Performance Shares</b>	
Classico Holdings Pty Ltd*	3,000,000
<b>Total</b>	<b>3,000,000</b>
* An entity controlled by Mr Ric Dawson	

The Class C Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$35,000,000; and
- (ii) Mr Dawson has completed a minimum of twenty-four (24) months continuous employment with the Company in the position of Managing Director (Class C Employment Milestone).

#### 3 Class D Performance Shares

Holder	Number
<b>Class D Performance Shares</b>	
Classico Holdings Pty Ltd*	3,000,000
<b>Total</b>	<b>3,000,000</b>
* An entity controlled by Mr Ric Dawson	

The Class D Performance Shares ("Performance Shares") will convert into fully paid ordinary shares in the capital of the Company upon the following milestones being met:

- (i) the Company's market capitalization, averaged over a period of 30 consecutive days in which the Company's Shares have traded, is at least \$50,000,000; and
- (ii) Mr Dawson has completed a minimum of thirty-six (36) months continuous employment with the Company in the position of Managing Director (Class D Employment Milestone).

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## ADDITIONAL INFORMATION

### UNQUOTED SECURITIES

The names of the holders holding more than 20% of each class of unlisted securities are listed below:

Holder	Number
<b>\$0.20 Options Expiring 31 August 2015</b>	
Luke Atkins	6,000,000
David Brook	2,000,000
<b>Total</b>	<b>8,000,000</b>
<b>\$0.20 Options Expiring 8 February 2015</b>	
William Witham	1,000,000
<b>\$0.25 Options Expiring 8 February 2015</b>	
William Witham	500,000
<b>\$0.30 Options Expiring 8 February 2015</b>	
William Witham	500,000
<b>\$0.30 Options Expiring 4 February 2015</b>	
Sam Middlemas	333,334
<b>\$0.25 Options Expiring 15 September 2015</b>	
Derek Judkins	300,000
Jane Carew-Reid	100,000
Summer Qi	100,000
<b>Total</b>	<b>500,000</b>

### VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

### ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Australia Minerals and Mining Group's listed securities.

# AUSTRALIA MINERALS & MINING GROUP LIMITED

## ADDITIONAL INFORMATION

### EXPLORATION INTERESTS

As at 30 June 2011, the Company has an interest in the following tenements:

Tenement ID	Registered Holder	State	Site	AMMG Interest	Grant Date
E09/1880	WA Gypsum	WA	Lake Macleod	100%	Application
E09/1572	Tailrain	WA	Lake Macleod	Earning 100%	15/03/2010
E08/2304	WA Gypsum	WA	Lake Macleod	100%	Application
E08/1891	Tailrain	WA	Lake Macleod	Earning 100%	Application
E09/1939	WA Gypsum	WA	Lake Macleod	100%	Application
E45/3774	AMMG	WA	Pilbara	100%	Application
E45/3775	AMMG	WA	Pilbara	100%	Application
E45/3776	AMMG	WA	Pilbara	100%	Application
E45/3777	AMMG	WA	Pilbara	100%	Application
E45/3653	AMMG	WA	Pilbara	100%	Application
E70/3902	Kaolin Resources	WA	Gairdner	100%	01/07/2011
E70/3935	AMMG	WA	Beenup	100%	Application
E70/4211	AMMG	WA	Bobalong	100%	Application
E70/4177	Kaolin Resources	WA	Kerrigan	100%	Application
E70/4053	AMMG	WA	Kerrigan	100%	Application
E70/3923	AMMG	WA	Meckering	100%	26/11/2010
E70/4204	AMMG	WA	Meckering	100%	Application
E70/4205	AMMG	WA	Meckering	100%	Application
E70/4206	AMMG	WA	Meckering	100%	Application
E70/4207	AMMG	WA	Meckering	100%	Application
E70/4208	AMMG	WA	Kellerberrin	100%	Application
E70/4209	AMMG	WA	Kellerberrin	100%	Application
E77/1746	A. Oliver	WA	Lake Deborah	Earning 100%	21/09/2010
E77/1747	A. Oliver	WA	Lake Deborah	Earning 100%	21/09/2010
E77/1748	A. Oliver	WA	Lake Deborah	Earning 100%	21/09/2010
E77/1759	A. Oliver	WA	Lake Deborah	Earning 100%	Application
E69/3014	Yilgarn Iron	WA	Annie's Find	100%	Application
E70/4210	Yilgarn Iron	WA	Dalwallinu	100%	Application
E70/4131	Yilgarn Iron	WA	Pingaring	100%	Application
E70/4118	Yilgarn Iron	WA	Kukerin	100%	Application
E70/4120	Yilgarn Iron	WA	Wongan Hills	100%	Application
E70/4097	Yilgarn Iron	WA	Goomalling	100%	Application
E70/4060	Yilgarn Iron	WA	Burngup	100%	Application
E70/4087	Yilgarn Iron	WA	Bencubbin	100%	06/07/2011
E16/435	Yilgarn	WA	Ularring	100%	Application
E30/417	AMMG	WA	Illaara	100%	20/12/2010
E77/1936	Yilgarn Iron	WA	Seabrook	100%	Application
E77/1770	AMMG	WA	Koolyanobbing	100%	08/11/2010
EPM16620	AMMG	QLD	Constance Range	100%	4/11/2008
EPM17164	AMMG	QLD	Constance Range	100%	Application
EPM17920	AMMG	QLD	Constance Range	100%	Application
EPM17919	AMMG	QLD	Constance Range	100%	23/03/2011
EPM18375	AMMG	QLD	Constance Range	100%	Application
EPM18710	AMMG	QLD	Constance Range	100%	Application
E04/2101	Canning Coal	WA	Canning Basin	100%	Application
E04/2102	Canning Coal	WA	Canning Basin	100%	Application
E04/2103	Canning Coal	WA	Canning Basin	100%	Application
E04/2104	Canning Coal	WA	Canning Basin	100%	Application
E04/2105	Canning Coal	WA	Canning Basin	100%	Application
E04/2106	Canning Coal	WA	Canning Basin	100%	Application
E04/2011	Canning Coal	WA	Canning Basin	100%	Application
EPM17331	AMMG	QLD	Maytown	100%	Application
EPM18030	AMMG	QLD	Maytown	100%	Application

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