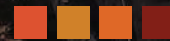




**ST GEORGE**  
MINING LIMITED

## HALF YEARLY REPORT 2011



This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by St George Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the corporations act 2001.

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*Cover page – RC Drilling at East Laverton Property during the 2011 Field Season*

## **DIRECTORS' REPORT**

The Directors are pleased to submit their report on St George Mining Limited for the half-year ended 31 December 2011.

## **DIRECTORS**

The names of the Directors who held office during or since the end of the half-year are:

John Prineas B.EC, LL.B F FIN – Executive Chairman

Timothy Hronsky B.ENG (Geology) MAUSIMM, MSEG – Executive Director

Marcus Michael B.BUS, CA – Non-Executive Director and Company Secretary

## **REVIEW AND RESULTS OF OPERATIONS**

A summary of revenues and results for the half-year is set out below:

	<b>2011</b>	
	<b>Revenues</b>	<b>Results</b>
	<b>\$</b>	<b>\$</b>
Revenues and (Loss)	32,891	(1,753,211)

During the six months period the exploration and evaluation expenditure was \$2,071,669. In accordance with the Group's accounting policy these costs were written off. Net administration costs were \$358,189 and income tax refund, in respect to a Research and Development claim from the year ended 30 June 2011, was \$643,756, resulting in a total loss for the six months of \$1,753,211.

## **JULY - DECEMBER 2011 REVIEW OF OPERATIONS**

During the half year ending 31 December 2011, St George Mining completed its 2011 exploration programmes at each of its East Laverton Property and Pine Creek Property.

### **EAST LAVERTON PROPERTY**

#### **GOLD EXPLORATION - ACTIVITIES**

##### **Overview**

The 100% owned East Laverton Property is a dominant regional landholding of over 1,800 sq km on the eastern edge of the North Eastern Goldfields of Western Australia.

The East Laverton Property includes the southern extension of the nickel-rich Duketon Belt and is also in proximity to major recent gold discoveries by the Tropicana Joint Venture (6+ MozAu) and by Gold Road Resources Limited (ASX: GOR) at its Yamarna Gold Project.

Exploration during the 2011 field season, from August to December 2011, involved a large multi-phase exploration programme at East Laverton that focused on:

- (i) drill testing the high priority gold prospects at Desert Dragon and Balmoral;
- (ii) completing an airborne magnetic survey covering the Red Dragon and Balmoral prospects; and
- (iii) extending the MMI multi element soil sampling programme to include some areas located along the extension of known gold trends, including the Golden Dragon area (north of Red Dragon).

#### **Drilling**

A total of 30 drill holes were completed during the 2011 drill programme. Of these holes, 9 were aircore drill holes and the remainder were deeper RC drill holes. 22 holes (comprising 2,062m of drilling) tested the Desert Dragon prospect and 8 holes (a total of 637m of drilling) were drilled at the Balmoral prospect.

Drilling intersected significant lengths of altered intervals with disseminated sulphide mineralisation towards the base of the holes. Our technical team has noted that this kind of mineralisation and alteration is often an indicator of gold mineralisation in the Laverton region.

Preliminary drill results were received and reported by the Company in its ASX Release dated 14 November 2011. All remaining drill samples were delivered to SGS Australia during November/December 2011 and assay results are pending.

The drilling campaign was suspended in December 2011 due to adverse ground conditions following heavy rains at site.

#### **Airborne Magnetic Survey**

A detailed airborne magnetic survey covering the Red Dragon and Balmoral gold prospects was completed by Fugro Airborne Surveys during the quarter. Approximately 4,800 kilometres were flown as part of this survey. Survey data is currently being processed and modelled.

The survey will supplement the Company's existing geophysical database and will assist in developing new drill targets ahead of the 2012 field season.

#### **MMI Programme**

The MMI programme primarily focused on the Golden Dragon area (north of Red Dragon), a newly acquired tenement area where no modern gold exploration has been conducted. A zone of anomalous gold was detected in the Golden Dragon area, at the edge of the previous MMI soil sampling programme conducted by the Company at Red Dragon.

The other MMI soil geochemical surveys conducted during 2011 have focused on areas that are located along the extension of the known Desert Dragon gold trend. Assay results for the MMI geochemical surveys are pending.

#### **NICKEL EXPLORATION – PROJECT DRAGON**

St George Mining, through its wholly own subsidiary Desert Fox Resources Pty Ltd, has entered into a Farm-in Agreement with BHP Billiton Nickel West Pty Ltd ("Nickel West") in regard to the nickel rights at certain of the tenements at the East Laverton Property.

Activities during Q4 2011 comprised:

- Completed site archaeological and ethnographical surveys;
- Completed a desktop botanical review;
- Planned a comprehensive RC program to test 8 high-ranked Prospects across the Farmin tenure;
- Program of Work (PoW) approval was received for ~25% of the planned RC program;

- Program of Work (PoW) application was submitted for the remaining ~75% of the planned RC program; and,
- Site reconnaissance completed.

Proposed activities for Q1 2012 include:

- Site specific botanical surveys to be undertaken;
- Receive PoW approval for the remaining ~75% of the planned RC program;
- Complete all earthworks and site preparation for the drill program; and
- Commence the RC drill program late-Q1/early-Q2 2012.

Under the Farm-in Agreement, Nickel West will have the right to earn up to a 70% interest in the nickel rights by sole funding a bankable feasibility study. Further details on the Project Dragon farm-in arrangement are contained in the ASX Release dated 6 April 2011 issued by St George Mining and on our website at [www.stgm.com.au/project-dragon](http://www.stgm.com.au/project-dragon).

## **EAST LAVERTON TENEMENTS**

St George Mining has 100% ownership of 24 tenements at the East Laverton Property. Of these, 23 are granted Exploration Licences and 1 is an application for Exploration Licence.

During the quarter, St George Mining applied for E39/1677 and E39/1678. These tenements are in the Lake Minigwal area and in proximity to the East Laverton Property.

## **PINE CREEK PROPERTY**

### **EXPLORATION ACTIVITIES – PINE CREEK**

#### **Overview**

The Company completed a multi-phase exploration programme at Pine Creek during the quarter.

A combination of orientated diamond drilling and a multi-element MMI soil geochemical survey have been completed with the intention of:

- Confirming the high grade mineralisation detected in the existing discovery hole (FEND18);
- Gaining a better understanding on the local orientation of the gold mineralisation; and,
- Testing for vertical and lateral extensions from the higher grade zone (FEND18).

The previous explorer at the Pine Creek Property, Homestake Gold of Australia Limited (“HGAL”), carried out a successful regional diamond drilling programme over a broad area of the Fenton shear zone that included EL27732, a tenement that now forms part of St George Mining’s Pine Creek Property. HGAL was part of the Homestake Group, one of the largest global gold miners during the 1990’s, and now merged with Barrick Gold Corporation. FEND18, which is located within EL27732, was the discovery hole in HGAL’s drilling programme.

#### **Drilling**

The first diamond drill hole planned under the 2011 drilling programme, named PCDD001, was completed to a depth of 550 metres. Due to the unusually early onset of wet weather at site, the balance of the drilling programme was suspended until the 2012 field season.

Visual inspection of the drill core indicates that the marker unit and the target formation for mineralisation were intersected at a higher elevation than encountered with the older angled discovery hole (FEND18). This is consistent with the moderate folding in the area being an important local control on the distribution of mineralised zones.

In December 2011, the core was taken to Darwin for analysis by the CSIRO HyLogger – a hyperspectral logging unit. Results from the HyLogger analysis are currently being reviewed and processed.

The drill core has now been brought to Perth and is undergoing cutting and sampling, with samples to be submitted to SGS Australia for assaying.

#### **MMI Programme**

The Company has completed an MMI multi element soil geochemical survey over the discovery area, which covers the FEND18 drill hole and now includes the newly drilled PCDD001.

HGAL, after making the initial gold discovery at the Pine Creek Property, reported successfully completing an MMI soil geochemical orientation survey, which identified a prominent gold anomaly over the area of the higher-grade drill intersection (FEND18) at Pine Creek.

The intention of the survey completed by St George Mining was to confirm HGAL's gold geochemical results over the discovery area, and to test for possible extensions to the known area of gold mineralisation by expanding the St George geochemical survey to areas to the east and south.

#### **PINE CREEK TENEMENTS**

There are seven tenements comprising the Pine Creek Property in which St George Mining has an 80% interest. All tenements have been granted.

No tenements, in part or whole, were relinquished, surrendered or otherwise divested during the quarterly period ended 31 December 2011.

#### **CORPORATE ACTIVITIES**

During the half year ending 31 December 2011, the Company completed two capital raising initiatives.

##### **Entitlements Issue**

On 2 August 2011, the Company launched a 1 for 5 non-renounceable entitlements issue of shares at 15 cents per new share, to raise up to \$1.575 million ("Entitlements Issue").

Existing shareholders were offered the opportunity to purchase one (1) new share for every five (5) shares held by them at the record date of 15 August 2011 at a price of \$0.15 per share. For every two (2) shares purchased under the Entitlements Issue, shareholders received three (3) free options.

The key terms of the free options are:

- an exercise price of \$0.20;
- the options are quoted on the ASX;
- the expiry date of each option is 28 November 2014; and,
- options are exercisable at any time prior to expiry.

The Entitlements Issue was fully subscribed resulting in the ordinary shares issued by the Company increasing from 52,500,000 to 63,000,000. In addition, a total of 15,750,000 options were issued by the Company as part of the Entitlements Issue. The options commenced trading on ASX under the code SGQO on 1 September 2011.

**Loyalty Option Issue**

On 19 October 2011, the Company launched a 1 for 2 non-renounceable entitlements issue of options at \$0.01 per option ("Loyalty Option Issue").

Shareholders on the registry at the record date on 10 November 2011, were offered the opportunity to purchase one (1) new option for every two (2) shares held by them at a price of \$0.01 per option. The options are part of the SGQO series and have the same terms as the options mentioned above

A total of 31,509,000 options were offered under the Loyalty Option Issue. The Company received applications under the entitlement offer for 24,057,099 options and these were allotted to shareholders on 8 December 2011. The options are trading on the ASX under the code SGQO.

The Company has received applications and expressions of interest in respect of the shortfall of 7,451,901 options and the Board is currently reviewing the placement of the shortfall.

**Pine Creek Options**

As part consideration for the acquisition of an 80% interest in the Pine Creek Property, the Company had agreed to issue 800,000 options to the vendors of the Pine Creek Property (the Pine Creek Options).

Further details of the consideration payable to the Pine Creek vendors can be found in the Solicitor's Report included in the IPO Prospectus dated 18 August 2010.

On 8 September 2011, the Company issued 800,000 options to the Pine Creek vendors. The options are Part of the SGQO series and have the same terms as mentioned above.

**Incentive Options**

At the Company's Annual General Meeting on 30 November 2011, the shareholders approved the issue of certain unlisted incentive options to Tim Hronsky and Andrew Hawker. These options were issued on 22 December 2011.

Details of the incentive options are contained in the Notice of Annual General Meeting dated 24 October 2011.

**Capital Structure**

As at 31 December 2011, the capital structure of the Company was:

Fully Paid Ordinary Shares (SGQ)	63,018,000
Listed Options (SGQO)	40,589,099
Unlisted Options	
Class A Options	450,000
Class B Options	450,000
Class C Options	600,000
Performance Shares	100

**COMPETENT PERSON STATEMENT:**

The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Tim Hronsky who is a member of the Australasian Institute of Mining and Metallurgy has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking. This qualifies Mr Hronsky as a "Competent Person" as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hronsky consents to the inclusion of information in this announcement in the form and context in which it appears.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

This report is made in accordance with a resolution of directors.



**John Prineas**

Executive Chairman

16 February 2012



16 February 2012

Board of Directors  
St George Mining Limited  
Level 1  
115 Cambridge Street  
WEST LEEDERVILLE WA 6007

Dear Sirs

**RE: ST GEORGE MINING LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of St George Mining Limited.

As Audit Director for the review of the financial statements of St George Mining Limited for the period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**JP Van Dieren**  
**Director**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR HALF-YEAR ENDED 31 DECEMBER 2011**

AUSTRALIAN DOLLAR (\$)	31 DECEMBER 2011	31 DECEMBER 2010
<b>REVENUE FROM CONTINUING OPERATIONS</b>	<b>32,891</b>	<b>12,102</b>
<b>EXPENDITURE</b>		
Administration expenses	(358,189)	(238,792)
Exploration expenditure written off	(2,071,669)	(1,501,997)
<b>LOSS BEFORE INCOME TAX</b>	<b>(2,396,967)</b>	<b>(1,728,687)</b>
Income tax benefit / (expense)	643,756	-
<b>LOSS AFTER INCOME TAX</b>	<b>(1,753,211)</b>	<b>(1,728,687)</b>
Other comprehensive income	-	-
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(1,753,211)</b>	<b>(1,728,687)</b>
<b>LOSS AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>	<b>(1,753,211)</b>	<b>(1,728,687)</b>
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	<b>(1,753,211)</b>	<b>(1,728,687)</b>
<b>EARNINGS PER SHARE</b>		
Basic and diluted loss per share (cents)	(2.97)	(4.61)

The above consolidated statement of comprehensive income should be  
read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011

AUSTRALIAN DOLLAR (\$)	NOTES	31 DECEMBER 2011	30 JUNE 2011
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		864,534	1,113,488
Trade and other receivables		839,904	76,172
Other assets		6,183	13,001
<b>TOTAL CURRENT ASSETS</b>		<b>1,710,621</b>	<b>1,202,661</b>
<b>NON-CURRENT ASSETS</b>			
Security bond		1,000	1,000
Exploration and evaluation expenditure		342,571	412,411
<b>TOTAL NON-CURRENT ASSETS</b>		<b>343,571</b>	<b>413,411</b>
<b>TOTAL ASSETS</b>		<b>2,054,192</b>	<b>1,616,072</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		520,758	158,197
Other current liabilities		13,846	8,625
<b>TOTAL CURRENT LIABILITIES</b>		<b>534,604</b>	<b>166,822</b>
<b>TOTAL LIABILITIES</b>		<b>534,604</b>	<b>166,822</b>
<b>NET ASSETS</b>		<b>1,519,588</b>	<b>1,449,250</b>
<b>EQUITY</b>			
Contributed equity	3	5,920,439	4,447,795
Share option reserve	3	338,316	49,840
Reserve – options to be issued	3	62,429	-
Accumulated losses		(4,801,596)	(3,048,385)
<b>TOTAL EQUITY</b>		<b>1,519,588</b>	<b>1,449,250</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

**FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

Australian Dollar (\$)	Share Capital	Share Option Reserve	Reserve – Options to be Issued	Accumulated Losses	Total Equity
<b>Balance at 1 July 2010</b>	<b>796,881</b>	-	-	<b>(322,487)</b>	<b>474,394</b>
Profit (loss) for the period	-	-	-	(1,728,687)	(1,728,687)
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	(1,728,687)	(1,728,687)
Shares issued during the period	4,000,000	49,840	-	-	4,049,840
Shares issue expenses	(349,086)	-	-	-	(349,086)
<b>Balance at 31 December 2010</b>	<b>4,447,795</b>	<b>49,840</b>	-	<b>(2,051,174)</b>	<b>2,446,461</b>
<b>Balance at 1 July 2011</b>	<b>4,447,795</b>	<b>49,840</b>	-	<b>(3,048,385)</b>	<b>1,449,250</b>
Profit (loss) for the period	-	-	-	(1,753,211)	(1,753,211)
Other comprehensive income	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	(1,753,211)	(1,753,211)
Shares and options issued during the period	1,578,600	295,717	62,429	-	1,936,746
Share and option issue expenses	(105,956)	(7,241)	-	-	(113,197)
<b>Balance at 31 December 2011</b>	<b>5,920,439</b>	<b>338,316</b>	<b>62,429</b>	<b>(4,801,596)</b>	<b>1,519,588</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

AUSTRALIAN DOLLAR (\$)	31 DECEMBER 2011	31 DECEMBER 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on mining interests	(1,626,583)	(1,257,692)
Payments to suppliers and employees	(350,580)	(235,952)
Interest received	32,891	807
Other – GST	(21,224)	(76,238)
<b>Net cash outflow from operating activities</b>	<b>(1,965,496)</b>	<b>(1,569,075)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of tenements	-	-
<b>Net cash outflow from investing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares and options net of capital raising costs	1,716,542	3,726,435
Repayment of borrowings	-	(230,000)
<b>Net cash inflow from financing activities</b>	<b>1,716,542</b>	<b>3,496,435</b>
Net increase/(decrease) in cash and cash equivalents	(248,954)	1,927,360
Cash and cash equivalents at the beginning of the half-year	1,113,488	382,841
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>864,534</b>	<b>2,310,201</b>

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

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS****NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standard ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of St George Mining Limited and its controlled entities (the Group). It is recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

For the half-year reporting to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time.

- AASB 124 (December 2009) Related Party Disclosures introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:
  - The definition of a "related party" is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition.
  - AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 12]
  - AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Coverage Project [AASB 1, AASB 5, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113].

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

**Reporting Basis and Conventions**

The half-year report has been prepared on an accruals basis and is based on historical costs.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

**Principles of Consolidation**

The consolidated financial statements incorporate assets, liabilities and results of entities controlled by St George Mining Limited at the end of the reporting period. A controlled entity is any entity over which St George Mining Limited has the power to govern the financial and operating policies so as to obtain the benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

When controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for period of year that they were controlled. A list of controlled entities is contained in note 7 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 on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown 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.

**NOTE 2: SEGMENT INFORMATION**

The Group operates in predominantly one business and geographical segment, being mineral exploration in Australia.

**NOTE 3: ISSUED CAPITAL**

Australian Dollar (\$)	31 DECEMBER 2011	31 DECEMBER 2010
<b>(a) Issued and paid up capital</b>		
At the beginning of the reporting period	4,447,795	796,881
Shares issued pursuant to capital raisings	1,575,000	4,000,000
Shares issued pursuant to exercise of options	3,600	-
Transactions costs arising from issue of shares	(105,956)	(349,086)
<b>At reporting date 63,018,000 (30 June 2011: 52,500,000) fully paid ordinary shares</b>	5,920,439	4,447,795

	31 DECEMBER 2011	31 DECEMBER 2010
<b>Movements in Ordinary Shares</b>	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	52,500,000	32,500,000
Shares issued pursuant to capital raisings	10,500,000	20,000,000
Shares issued pursuant to exercise of options	18,000	-
<b>Balance at 31 December 2011</b>	<b>63,018,000</b>	<b>52,500,000</b>
<b>Movements in Performance Shares</b>	<b>Number</b>	<b>Number</b>
At the beginning of reporting period	100	100
Shares issued pursuant to capital raisings	-	-
<b>Balance at 31 December 2011</b>	<b>100</b>	<b>100</b>

There are 100 Performance Shares (convertible into a maximum of 10,000,000 Ordinary Shares) on issue at 31 December 2011, with the terms and conditions as set out in the St George Mining Limited 30 June 2011 Annual Report.

**(b) Share Option Reserve**

Options to take up ordinary shares in the capital of the Company are as follows:

Australian Dollar (\$)	31 DECEMBER 2011	31 DECEMBER 2010
<b>Issued Options</b>		
At the beginning of the reporting period	49,840	-
Options issued pursuant to capital raisings	240,571	-
Options issued pursuant to agreement	-	49,840
Class A Options – share based payments	15,894	-
Class B Options – share based payments	17,676	-
Class C Options – share based payments	21,576	-
Transaction costs arising from issue of shares	(7,241)	-
<b>At reporting date</b>	<b>338,316</b>	<b>49,840</b>



## FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Options to take up ordinary shares in the capital of the Company are as follows:

Exercise Period	Note	Exercise Price	Opening Balance 1 July 2011 Number	Options Issued (exercised) Number	Closing Balance 31 December 2011 Number
On or before 28 November 2014	(i)	\$0.20	-	40,589,099	40,589,099
On or before 28 November 2013	(ii)	\$0.20	-	450,000	450,000
On or before 28 November 2014	(ii)	\$0.25	-	450,000	450,000
On or before 28 November 2015	(ii)	\$0.40	-	600,000	600,000

- (i) The Company issued 15,750,000 free attaching options under the Entitlement Issue Prospectus dated 5 August 2011. A further 800,000 options were issued on 8 September 2011 to the vendors of exploration licence E27732, a tenement comprised in the Company's Pine Creek Property as per the Option Agreement, further details of the Option Agreement can be found in the 2010 IPO Prospectus dated 18 August 2010 and the Entitlement Prospectus dated 5 August 2011. On the 9 September 2011 18,000 options were exercised. On the 8 December 24,057,099 options were issued under the Loyalty Option Issue Prospectus dated 19 October 2011 at \$0.01 per option.
- (ii) The Company agreed and approved at the Company's Annual General Meeting to allot and issue a total of 1,500,000 Options (Related Party Options) to Mr Tim Hronsky and Mr Andrew Hawker. The terms and conditions of the options are detailed in the Notice of Annual General Meeting dated 26 October 2011. Using the Black & Scholes option model and based on the assumptions below, The Class A, B and C Options were ascribed the following value:

Class of Options	Valuation Date	Market Price of Shares	Exercise Price	Expiry Date	Risk Free Interest Rate	Volatility (discount)	Indicative Value per Option (discounted at 20%)	Total Value of Options
<b>Class A Options</b>	11 October 2011	14.5 cents	20 cents	28 November 2013	3.185%	70%	3.532 cents	<b>\$15,894</b>
<b>Class B Options</b>	11 October 2011	14.5 cents	25 cents	28 November 2014	3.650%	70%	3.928 cents	<b>\$17,676</b>
<b>Class C Options</b>	11 October 2011	14.5 cents	40 cents	28 November 2015	3.800%	70%	3.596 cents	<b>\$21,576</b>

**(c) Reserves – options to be issued**

	<b>31 DECEMBER</b>	<b>30 JUNE</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Reserve	62,429	-
	<u>62,429</u>	<u>-</u>

The Company advised on the 2 December 2011 that the Loyalty Option Entitlement made pursuant to the Prospectus dated 19 October 2011 closed on 30 November 2011. The Loyalty Option Issue offered 31,509,000 Loyalty Options on the basis of One (1) Loyalty Option for every two (2) Shares held by Shareholders at an issue price of \$0.01 per option. The number of loyalty options applied for under the entitlement was 24,057,099 leaving a shortfall of 7,451,901. The Company at 31 December 2011 had not issued the shortfall options.

**NOTE 4: CONTINGENCIES**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Estimated of the potential financial effect of contingent liabilities that may become payable		

**Contingent Liabilities**

In the Northern Territory the Company has entered into an option to acquire an 80% interest in a tenement area that is prospective for gold and uranium.

	500,000	500,000
<b>Total</b>	<u>500,000</u>	<u>500,000</u>

**NOTE 5: SUBSEQUENT EVENTS**

The Company is expected to issue 7,451,901 options under the Loyalty Option Entitlement Prospectus dated 19 October 2011, the Company has received expressions of interest in the shortfall from existing shareholders and institutional investors, the Board is currently reviewing these expressions of interest with a view of placing the shortfall by 29 February 2012.

Except for the above no matter or circumstance has arisen since 31 December 2011, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

**NOTE 6: ESTIMATES AND ASSUMPTIONS**

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

***Future Rehabilitation***

The Group measures the cost of future rehabilitation in relation to its tenements based on probable cost estimations at the date upon which tenements are altered from their original state. Fair values are determined using local data available. No rehabilitation provision is considered necessary at 31 December 2011.

**NOTE 7: SUBSIDIARIES**

The parent entity, St George Mining Limited, has 100% interest in Desert Fox Resources Pty Ltd and Blue Thunder Resources Pty Ltd. St George Mining is required to make all the financial and operating decisions of these subsidiaries.

<b>Subsidiaries of St George Mining Limited</b>	<b>Country of Incorporation</b>	<b>Percentage Owned %</b>	
		<b>2011</b>	<b>2010</b>
Desert Fox Resources Pty Ltd	Australia	100%	100%
Blue Thunder Resources Pty Ltd	Australia	100%	100%

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 19 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the 6 months ended on that date of the Group;
2. In the directors' opinion there are reasonable grounds to believe that the Group 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.



John Prineas  
**Executive Chairman**  
**St George Mining Limited**  
Perth, 16 February 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
ST GEORGE MINING LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of St George Mining Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for St George Mining Limited ("the consolidated entity"). The consolidated entity comprises both St George Mining Limited ("the company") and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of St George Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of St George Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Independence*


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of St George Mining Limited on 16 February 2012.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of St George Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  


**John P Van Dieren**  
**Director**

West Perth, Western Australia  
16 February 2012



**STGEORGE**  
MINING LIMITED

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