



**ST GEORGE**  
MINING LIMITED



**ANNUAL REPORT | 2011**

St George Mining Limited | ACN 139 308 973

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## CORPORATE DIRECTORY

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<b>Board of Directors</b>	John Prineas B.EC, LL.B F FIN – Executive Chairman Tim Hronsky B.ENG (Geology) MAUSIMM, MSEG – Executive Director Marcus Michael B.Bus, CA – Non-Executive Director
<b>Company Secretary</b>	Marcus Michael B.Bus, CA
<b>Registered and Principal Office</b>	Level 1, 115 Cambridge Street WEST LEEDERVILLE WA 6007
<b>Solicitors</b>	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000
<b>Auditors</b>	Stantons International Level 1, 1 Havelock Street WEST PERTH WA 6005
<b>Share Registry</b>	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace PERTH WA 6000
<b>ASX Code</b>	SGQ – Ordinary Shares SGQO – Listed Options
<b>Australian Business Number</b>	21 139 308 973
<b>Website</b>	<a href="http://www.stgeorgemining.com.au">www.stgeorgemining.com.au</a>





*Drilling underway at the East Laverton Property*

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## CHAIRMAN'S LETTER

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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of St George Mining Limited for the financial year ended 30 June 2011. The past financial year was a momentous one for the Company, both in terms of corporate developments and in regard to progress in its business model.

St George Mining commenced trading on the ASX on 16 November 2011 after closing its oversubscribed IPO in October 2011. The Board is grateful to our loyal shareholders for their support in the IPO and for their continued support during our infancy in public life.

The Company is now focused on increasing shareholder returns by delivering exploration success at its two flagship mining projects – the East Laverton Property and the Pine Creek Property. These Projects offer very exciting opportunities for large scale mineral discoveries.

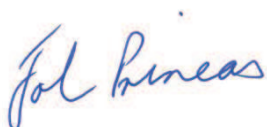
Our activities during this financial year have built a strong foundation for the future growth of St George and have established the tremendous potential of both the Company's Projects. Major milestones achieved include:

- completion of a regional multi-element MMI soil geochemical survey at East Laverton which identified major new gold systems
- completion of infill soil sampling of selected areas of interest at East Laverton which defined new high priority gold targets
- commencement of an ongoing drilling campaign at East Laverton
- creating a dominant regional landholding at both East Laverton and Pine Creek by significantly increasing the tenement area through strategic acquisitions and tenement applications
- entering into a farm-in agreement with a major mining company in respect of the nickel rights over certain of the tenements at East Laverton

The Company is continuing its cost effective and focused exploration programme with drilling scheduled at both East Laverton and Pine Creek in the second half of 2011. We are well positioned for near term exploration success.

The Board looks forward to an exciting year ahead as we continue to work towards creating long term value for the Company.

Yours sincerely



John Prineas  
**EXECUTIVE CHAIRMAN**

### CORPORATE

In the past financial year, St George Mining Limited (“St George Mining” or the “Company”) successfully transitioned from an unlisted public company to a public listing on the Australian Securities Exchange (ASX) under the trading code SGQ.

The Company was admitted to the Official List of the ASX on 12 November 2010 and its shares commenced trading on the ASX under the code SGQ on 16 November 2010. The listing on the ASX followed an oversubscribed Initial Public Offering (IPO) that raised \$4,000,000 through the issue of 20,000,000 ordinary shares at 20 cents each.

The principal assets of St George Mining are the East Laverton Property and the Pine Creek Property – two exploration projects that the Company believes are highly prospective for large scale mineral discoveries. The Company is undertaking extensive exploration activities at the Projects with a view to generating near term exploration success.

### EXPLORATION

#### 1. East Laverton Property

##### Overview

St George Mining has 100% ownership of a tenement package covering a contiguous area of 1,810 sq km in the eastern edge of the North East Goldfields of Western Australia (the “East Laverton Property”), approximately 130km south-east of Laverton.

The Company believes that the area has the potential to become a major new mineral province with large scale mineral deposits, with a focus on gold and nickel sulphide mineralisation. Significant gold discoveries have already been made in the region, notably the Tropicana gold deposit (5+ MozAu) and the emerging Yamarna Project of Gold Road Resources Limited (ASX: GOR). The Company’s tenement package and its proximity to these projects, as well as the proximity to the established Laverton gold field (25+ MozAu), are shown in Figure 1 below.

St George Mining’s tenements cover the southern continuation of the Duketon Belt. The northern part of the Duketon Belt has already yielded several recent nickel sulphide discoveries, including the Rosie Prospect (70% Independence Group NL (ASX: IGO) and 30% South Boulder Mines Limited (ASX: STB)) where drill hole TBDD098 intersected 5.20m at 9.13% Ni, 1.09% Cu and 7.09 g/t PGE’s (Platinum Group Elements) (see STB ASX Release 3 June 2010).

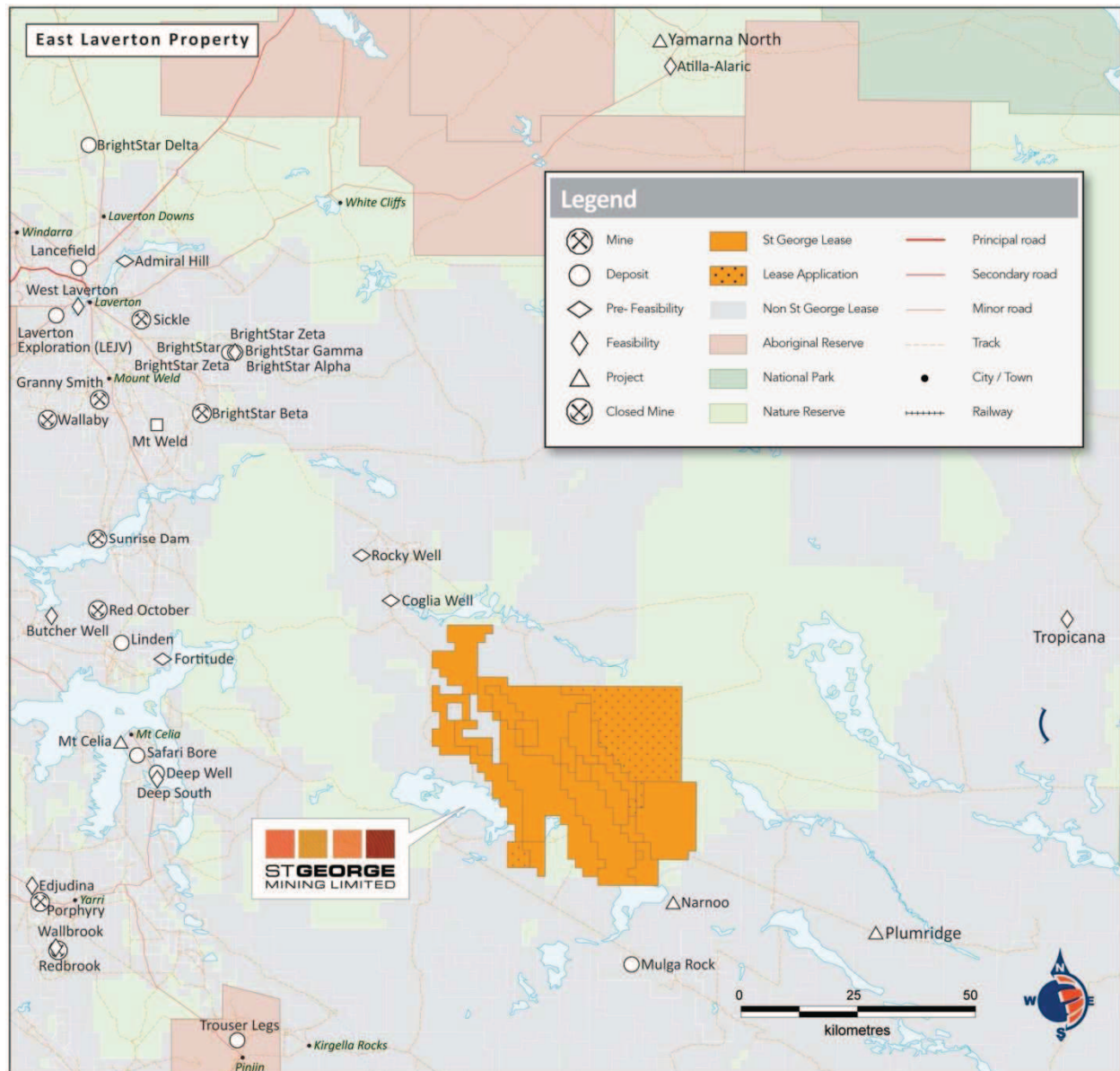


Figure 1 – East Laverton Property

During the year, the Company increased the size of the tenement area at East Laverton from 1,445.30 sq km to 1,810 sq km. The tenement area will be reviewed and rationalised over time in light of ongoing exploration results.

The tenement package comprises of 21 tenements, of which 20 are granted Exploration Licences and 1 is an application for an Exploration Licence.

**Gold Exploration – Activities**

During the year, a comprehensive regional multi-element MMI (“mobile metal ion”) soil geochemical survey was completed on tenements covering a total area of 850 sq km. The regional survey involved the collection of samples on a 500m staggered grid, with a total of 3,671 samples being collected.

Infill sampling, on 50m spacing, was subsequently completed over selected areas of interest. A total of 9,578 samples were collected. This close spaced infill sampling provides a high resolution of the gold and other metal trends provided by the regional survey and allows for more precise definition of drill targets within the broader gold zones.



Two significant new gold prospects were identified by the geochemical survey, the Balmoral and Desert Dragon prospects. These high priority prospects will be the focus of St George Mining's continuing drilling programme in 2011.

In November 2010, St George Mining commenced a drilling programme of certain gold targets. Prior to commencement of the wet season, 1,925m reverse-circulation (RC) drilling had been completed. The majority of holes were allocated to testing the historic prospects of Desert King and Desert Knight. Stratigraphic correlations now indicate that these historic prospects are hosted in subordinate shear zones within an uplifted and eroded gneissic dome. One line of four holes was drilled at Desert Dragon prior to the premature termination of drilling due to onset of the wet season. These indicated moderate alteration, and appear to be on the periphery of the system of mineralisation with the central part of the system yet to be tested.

The drilling programme is scheduled to recommence in August/September 2011 with a focus on the new, high priority targets at Balmoral and Desert Dragon.

A major review of the geology and mineralisation at East Laverton was completed earlier this year using all available information. It is now recognised that the more prospective zones at East Laverton occur in the flanking shears to this gneissic dome. Both of the new prospects – Balmoral and Desert Dragon - occur in this geological setting.

The new Balmoral prospect is of particular note. The soil geochemical survey identified a large zoned hydrothermal system. A central zone of anomalous Au-Ag-Cu defines a core zone (3km x 2km) and is surrounded by a rim of tungsten. This is interpreted to represent a core oxidised prospective zone surrounded by a tungsten-rich neutral pH rim. A major area of As + Sb anomalism indicates a major acidic and reduced hydrothermal outflow zone that stretches up to 6km to the north. The Balmoral prospect is hosted within the subdued magnetic domain interpreted to be caused by the extensive alteration and is situated on the fundamental Minigwal fault, where it is crossed by a late cross structure – potentially an optimal trap site for gold mineralisation.

Desert Dragon is a highly anomalous gold system with approximately 3km of strike length. Closed spaced infill sampling has defined three prominent gold zones. Each of these will be drill tested in the 2011 drilling campaign.

### **Nickel Exploration – Project Dragon**

St George Mining, through its wholly own subsidiary Desert Fox Resources Pty Ltd, entered into a Farm-in Agreement with BHP Billiton Nickel West Pty Ltd in regard to the nickel rights at certain of the tenements at the East Laverton Property. The Farm-in Agreement was entered into on 4 April 2011. The farm-in arrangement formally commenced on 28 April 2011 following satisfaction on that date of the remaining condition precedent under the Farm-in Agreement.

Under the Farm-in Agreement, the major mining company 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.stgeorgemining.com.au](http://www.stgeorgemining.com.au) .

The potential for nickel sulphide mineralisation was initially recognised at the East Laverton Property from anomalous nickel levels detected in exploration drill holes of previous gold explorers. The nickel geochemical responses were consistent with the presence of komatiitic rocks containing 40+% volatile free MgO, which can host nickel sulphide mineralisation. There are extensive strike lengths of this high MgO komatiitic ultramafic at the East Laverton Property.



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## REVIEW OF OPERATIONS

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Regional geochemical soil surveys completed by St George Mining during 2010 identified anomalous nickel and copper zones associated with settings interpreted to be komatiitic basal channel flows. The results of the soil sampling support the strong technical case for nickel sulphide mineralisation at the East Laverton Property.



*Drilling activity at the East Laverton Property*

## 2. Pine Creek Property

### Overview

The Company has entered into an option to acquire an 80% interest in a tenement area located in the Pine Creek Orogen, Northern Territory. The area is highly prospective for gold and uranium, and has emerging potential for rare earths.

The Company has increased its tenement area at Pine Creek from an initial 75 sq km to 1,253.50 sq km. There are 7 tenements comprising the Pine Creek Property in which St George Mining has an 80% interest. As at the date of this report, all tenements had been granted.

**Figure 2** below shows the location of the Company's tenements at Pine Creek, and highlights their close proximity to other major mining projects including the Hayes Creek Project (uranium) of Thundelarra Exploration Limited (ASX: THX), the Quantum Prospect (uranium and rare earths) of TUC Resources Limited (ASX: TUC) and the Cosmo Howley Mine (2+Moz gold) of Crocodile Gold Corp (TSX: CRK).

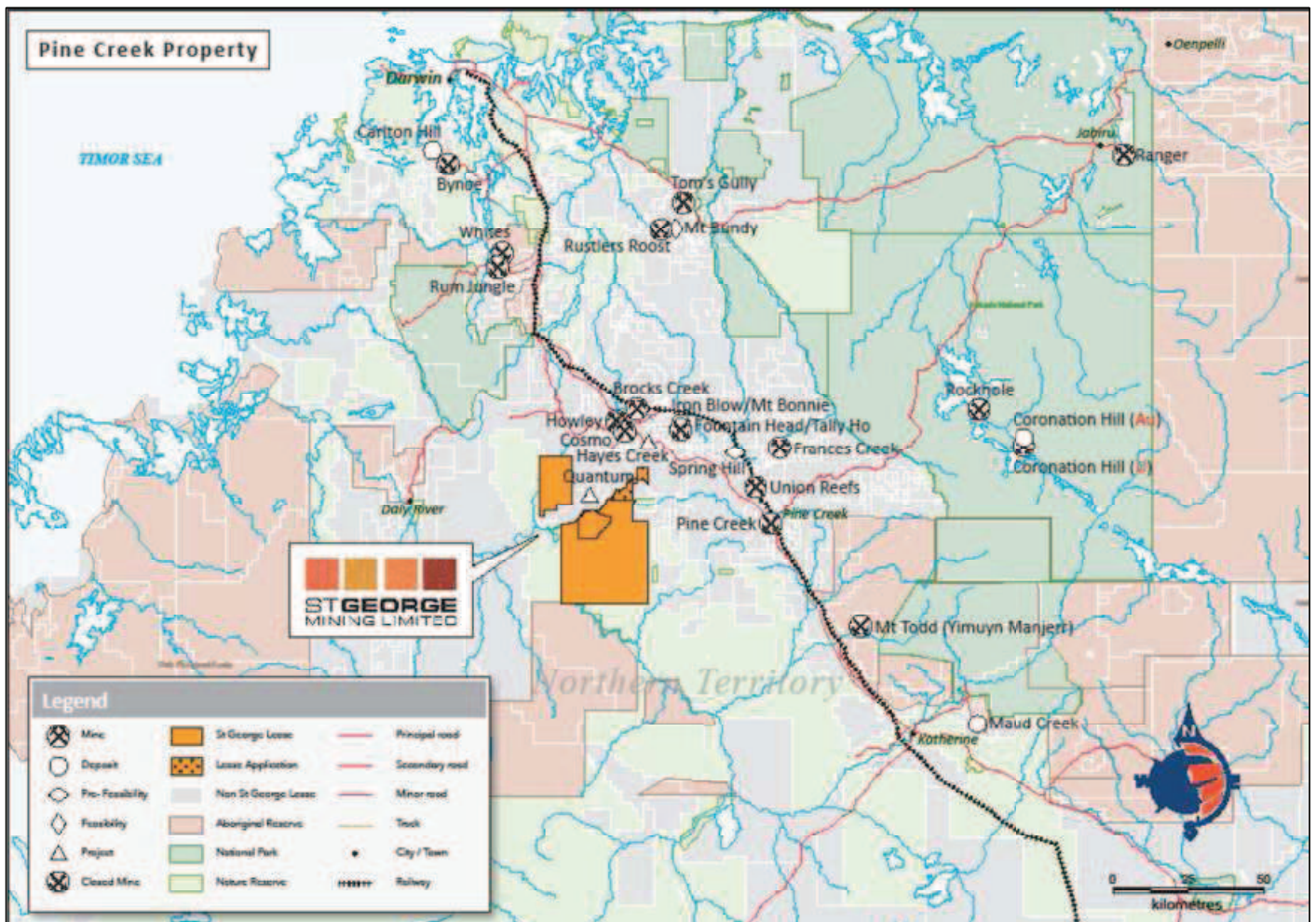


Figure 2 – Pine Creek Property

### Exploration Activities

The diamond drilling carried out by the previous explorer at the Pine Creek Property (Homestake Gold of Australia Limited, “HGAL”) intersected sulphide-rich gold mineralisation within the extensive and highly mineralised Koolpin Formation at the Pine Creek Property. Subsequent to this drilling, HGAL conducted a MMI geochemical orientation survey which successfully confirmed a surface gold-cobalt soil anomaly over the previously intersected mineralisation.

During the year, St George Mining engaged Southern Geoscience Consultants to process and model the various geophysical data available for the advanced exploration areas of the Pine Creek Property including data from the previous HGAL drill intersections. This model will allow St George Mining to define priority areas for the 2011 drilling campaign, which will be scheduled for Q4 2011.

The Company will also initiate a regional MMI geochemistry survey at the Pine Creek Property as an inexpensive and effective means to test the potential of the broader lease area for extensions and repetitions of the known mineralisation.

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## DIRECTORS' REPORT

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The Directors of St George Mining Limited submit herewith the annual financial report of St George Mining Limited from the 1 July 2010 to 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### DIRECTORS

The names and particulars of the directors of the Company as at 30 June 2011 and at the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

**John Prineas** B.EC LL.B F FIN  
Executive Chairman  
Appointed 19 October 2009

John has over 25 years experience in the banking and legal sectors, including a period as the head of a financial institution in Australia. He commenced his career as a lawyer at Allen, Allen & Hemsley, gaining extensive experience in commercial transactions and corporate advice in both Australia and Asia-Pacific.

In 1994, he joined Dresdner Bank AG in Sydney and over the next 10 years occupied the roles of General Counsel, Chief Operating Officer and Country Head with a focus on project and acquisition finance for resources and infrastructure projects as well as associated capital markets and treasury products, including commodities trading.

John has a diverse range of high level experience in finance, mining and corporate governance.

During the past 3 years he has held no other listed company directorships.

**Tim Hronsky** B.ENG (Geology) MAUSIMM, MSEG  
Executive Director  
Appointed 25 November 2009

Tim is a geologist with over 21 years international experience in the mineral exploration and mining industry, including 15 years with Placer Dome Inc. After graduating from the West Australian School of Mines, Tim began his career in a number of operational roles before shifting to exploration where he was the Exploration Manager (Asia) for Placer Dome.

Subsequently he undertook a number of corporate roles related to business improvement, risk management and assurance. More recently, he has been providing consulting services to a range of clients in the global exploration and mining industry.

During the past 3 years he has also served as a director of the following listed companies;

<b>Company</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
A1 Minerals Limited	30 November 2006	20 February 2009

**Marcus Michael** CA, B.Bus  
Non-Executive Director and Company Secretary  
Appointed 19 October 2009

Marcus has a diverse range of experience in resource exploration and mining, private equity, debt funding and corporate governance.

Marcus is an Executive Director of Argent Minerals Limited (ASX: ARD), Non-Executive Director of St George Mining Limited (ASX:SGQ) and a Director of Marshall Michael Pty Ltd, Chartered Accountants, providing



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## DIRECTORS' REPORT

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consulting services to public and private entities across a broad range of industries including mining, engineering, and healthcare.

He holds a Bachelor of Business from Curtin University in Western Australian and has been a member of the Institute of Chartered Accountants in Australia since 1994.

During the past 3 years he has also served as a director of the following listed companies;

<b>Company</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
Argent Minerals Limited	4 April 2007	Not applicable

### **Company Secretary**

**Marcus Michael** CA, B.Bus

For details relating to Mr Michael, please refer to the details on directors above.

### **DIRECTORS' INTERESTS**

At the date of this report the Directors held the following interests in St George Mining.

<b>Name</b>	<b>Ordinary Shares</b>	<b>Listed Options</b>	<b>Performance Shares</b>
John Prineas	10,054,221	2,431,056	30
Tim Hronsky	1,062,500	-	10
Marcus Michael	2,810,668	702,670	15

John Prineas has had no interest, whether directly or indirectly, in a contract or proposed contract with St George Mining Limited during the financial year end. Other Director's interests include Marcus Michael through Marshall Michael Pty Ltd Chartered Accountants which provides accounting, bookkeeping and secretarial services to the Company and Tim Hronsky through Essential Risk Solutions which provides consultant services to the Company.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Group is mineral exploration in Australia.

### **RESULTS AND REVIEW OF OPERATIONS**

The result of the consolidated entity for the financial year from 1 June 2010 to 30 June 2011 after income tax was a loss of \$2,725,898 (2010: loss of \$322,487).

A review of operations of the consolidated entity during the year ended 30 June 2011 is provided in the "Review of the Operations" immediately preceding this Directors' Report.

### **LIKELY DEVELOPMENTS**

The Group's focus over the next financial year will be on its key projects – the East Laverton Property and the Pine Creek Property. Further commentary on planned activities in these projects over the forthcoming year is provided in the "Review of Operations". The Group will also assess new opportunities especially where these have synergies with existing projects.



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## DIRECTORS' REPORT

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### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

### ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all applicable regulations when carrying out exploration work.

### DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

### DIRECTORS' MEETINGS

The following table sets out the number of meetings held during each director's period of directorship during the year ended 30 June 2011 and the number of meetings attended by each director.

Name	Eligible to attend	Attended
J Prineas	11	11
T Hronsky	11	9
M Michael	11	11

### REMUNERATION REPORT – AUDITED

#### *Remuneration policy*

The remuneration policy of St George Mining Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component, which is assessed on an annual basis in line with market rates. The Board of St George Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

- The remuneration policy and setting the terms and conditions for the Executive directors and other senior staff members is developed and approved by the Board based on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained when considered necessary to confirm that executive remuneration is in line with market practice and is reasonable within Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.

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## DIRECTORS' REPORT

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- The Group is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly as the entity moves from an exploration to a producing entity and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Directors, in consultation with independent advisors, determine payments to the non-executives and review their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual General Meeting and is currently \$150,000 per annum. Fees for independent non-executive directors are not linked to the performance of the Group. To align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

### *Details of directors and executives*

<b>Directors</b>	<b>Title</b>	<b>Date of Appointment</b>	<b>Date of Retirement</b>
J Prineas	Executive Chairman	19 October 2009	N/A
T Hronsky	Executive Director	25 November 2009	N/A
M Michael	Non Executive Director	19 October 2009	N/A

N/A – Not Applicable

The Company does not have any executives that are not Directors.

Executive Directors' remuneration and other terms of employment are reviewed annually by the non-executive director(s) having regard to performance against goals set at the start of the year, relative comparable information and independent expert advice.

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial year end, a benefit because of a contract made by the Group or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Group.

## DIRECTORS' REPORT

### Remuneration of directors and executives

Remuneration for the financial year ended 30 June 2011.

Directors	Salary Fees and Leave	Short-Term Benefits		Post Employment Benefits Superannuation	Long Term Benefits Long Service Leave	Equity Settled Share-Based Payments Shares/Options	Total
		Cash Bonus	Non Monetary				
	(i) \$	\$	(ii) \$	\$	\$	(iii) \$	\$
J Prineas							
2011	113,622	-	2,583	9,450	-	-	125,655
2010	-	-	4,650	-	-	-	4,650
T Hornsky							
2011	146,250	60,000	5,576	-	-	-	211,826
2010	82,500	-	4,068	-	-	-	86,568
M Michael							
2011	44,333	-	1,091	3,990	-	-	49,414
2010	-	-	2,522	-	-	-	2,522
<b>Total</b>							
<b>2011</b>	<b>304,205</b>	<b>60,000</b>	<b>9,250</b>	<b>13,440</b>	<b>-</b>	<b>-</b>	<b>386,895</b>
<b>2010</b>	<b>82,500</b>	<b>-</b>	<b>11,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,740</b>

- (i) The Company in June 2010 entered into executive services agreements with Mr J Prineas and Mr M Michael whereby the Directors receive remuneration of \$180,000 and \$76,000 plus statutory superannuation, respectively, from the date the Company was listed on the ASX being 12 November 2010.

The Company entered into a consultancy contract with Essential Risk Solutions Pty Ltd ("ERS") and Tim Hronsky effective in June 2010. The basic terms are a base service fee of \$7,500 per month from 1 June 2010 to 12 November 2010, being the day the Company listed on the ASX. Thereafter a base salary of \$15,000 per month (\$180,000 per annum) is payable. Up to 4 economy class trips between Perth and Vancouver may be paid by the Company on behalf of Hronsky in each calendar year. ERS was paid a \$60,000 bonus within 30 days of the Company being listed.

- (ii) Non monetary benefits are for directors' and officers' liability and legal expense insurance premiums.
- (iii) The Performance Shares granted are subject to Company milestones being achieved. Each Performance Share will convert to 100,000 ordinary shares in the Company upon the first to occur of the following events:
1. a Company Project attains a measured JORC Code compliant inferred resource of at least 1,000,000 ounces of gold;
  2. a Company Project attains a measured JORC Code compliant inferred resource of at least 50,000 tonnes of contained nickel;
  3. the market capitalisation of the Company is greater than \$50,000,000 for a minimum of 30 consecutive trading days, based on the volume weighted average price of ordinary shares quoted on ASX;
  4. a Company Project (or any part of it) is sold for a value of at least \$25,000,000 in cash and/or assets of equivalent value; or

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## DIRECTORS' REPORT

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5. a joint venture is entered into for a Company Project and payments of at least \$25,000,000 in cash and/or assets of equivalent value are paid to the Company as part of the arrangement.

If a Milestone is not achieved on or prior to the date which is 5 years after that date the Company is admitted to the Official List of ASX on the 12 November 2010, then each Performance Share will automatically convert into one ordinary share.

Performance Shares have been issued to:

Shareholder	Performance Shares
John Prineas	30
Marcus Michael	15
Tim Hronsky	10

Accounting, bookkeeping and secretarial service fees of \$99,869 (2010: \$23,685) were paid or payable on ordinary commercial terms during the year to Marshall Michael Pty Ltd Chartered Accountants, a company in which Mr Michael is a director and has a beneficial interest.

### ***Remuneration Options***

During the financial year ended 30 June 2011 no options were granted to directors or executives as part of their remuneration.

### ***Employment contracts of directors and executives***

The terms and conditions under which key management personnel and executives are engaged by the Company are formalised in contracts between the Company and those individuals.

The Company has entered into an executive services agreement with Mr John Prineas whereby Mr Prineas receives remuneration of \$180,000 per annum plus statutory superannuation. The agreement provides that Mr Prineas will not be paid a salary by the Company until the Company is admitted to the Official List, being 12 November 2010. The Company may terminate the agreement by giving one months notice and making a payment equal to six months' salary. Other termination provisions apply where the Company has grounds for early termination of the agreement. Mr Prineas may terminate the agreement by giving 3 months notice.

The Company has entered into two service agreements with Mr Marcus Michael whereby Mr Michael receives remuneration of \$40,000 and \$36,000 per annum plus statutory superannuation for Non-Executive Director and Company Secretary respectively. The agreement provides that Mr Michael will not be paid a salary by the Company until the Company is admitted to the Official List, being 12 November 2010.

The Company has entered into a consultancy contract with ERS and Mr Hronsky whereby a base service fee of \$7,500 per month is payable from 1 June 2010 to 12 November 2010, being the date the Company was admitted to the Official List, thereafter a base service fee of \$15,000 per month is payable (\$180,000 per annum). ERS was paid a \$60,000 bonus paid within 30 days of the Company achieving an ASX listing. Up to 4 economy class trips between Perth and Vancouver may be paid by the Company on behalf of Mr Hronsky in each calendar year. The initial term is for a period of three years from 1 June 2010 and may be extended for two years by the Company giving six months notice.

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Company shall be indemnified out of the property of the entity against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.



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## DIRECTORS' REPORT

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During the year the Company agreed to pay an annual insurance premium of \$9,250 (2010: \$11,240) in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty.

### SHARES OPTIONS

#### *Unissued share*

As at the date of this report, the Company has no unissued shares resulting from options issued. The Company has no options issued at 30 June 2011.

### EVENTS SUBSEQUENT TO BALANCE DATE

St George Mining Limited on 2 August 2011 advised the market that a pro-rata non-renounceable entitlement issue of approximately 10,500,000 New Shares and up to 15,750,000 Free Attaching Options on the basis of one (1) New Share for every five (5) Shares held by Shareholders on the Share Record Date at an issue price of \$0.15 per Share together with three (3) Free Attaching Options for ever two (2) New Share issued to raise approximately \$1,575,000.

The Free Attaching Options are exercisable at \$0.20 on or before the date that is 28 November 2014.

On 2 September 2011 6,911,611 ordinary shares and 10,367,421 listed options were allotted to shareholders participating in the entitlement issue. On 13 September 2011 3,588,389 ordinary shares and 5,382,579 listed options were allotted to those participating in the shortfall.

On 8 September 2011 the Company advised that 800,000 options exercisable at \$0.20 on or before 28 November 2014 were allotted to the vendors of exploration licence E27732, a tenement comprised in the Company's Pine Creek Property. The Options are on the same terms and conditions as those detailed in the Entitlement Prospectus dated 5 August 2011, escrowed until 17 November 2011.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 55 of the financial report.

#### **Non Audit Services**

During the year the Group's auditor, Stantons International or its related entities completed an Investigating Accountant's Report. The Directors are satisfied that the provision of these non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of the non audit services provided means that auditor independence was not compromised.

The amounts received by Stantons International for the preparation of the Investigating Accountant's Report are disclosed in the 2011 financial report of the Company.

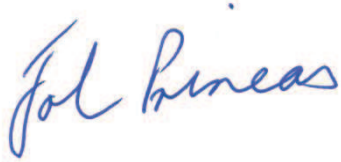
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## DIRECTORS' REPORT

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Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the directors



**JOHN PRINEAS**

Executive Chairman

Dated this 21 September 2011

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## CORPORATE GOVERNANCE STATEMENT

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This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**). The Principles and Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Principles and Recommendations.

The Board of the Company currently has in place a Corporate Governance Plan which has been posted in a dedicated corporate governance information section of the Company's website at [www.stgeorgemining.com.au](http://www.stgeorgemining.com.au).

### PRINCIPLES AND RECOMMENDATIONS

#### 1. Lay solid foundations for management and oversight

- 1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. Compliant: Yes.

The Directors monitor the business affairs of the Company on behalf of Shareholders and have adopted a Corporate Governance Plan which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct. The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board.

The Company's Corporate Governance Plan is available on the Company's website at [www.stgeorgemining.com.au](http://www.stgeorgemining.com.au).

- 1.2 Companies should disclose the process for evaluating the performance of senior executives. Compliant: Yes.

Due to the Company's stage of development, it does not yet have any senior executives apart from the Board. However, if the Company appoints senior executives in the future, the Board will monitor the performance of those senior executives including measuring actual performance of senior executives against planned performance.

The Board has adopted a policy to assist in evaluating the performance of senior executives, which is contained in Schedule 6 of its Corporate Governance Plan (Disclosure - Performance Evaluation).

Given the current size and structure of the Board, the Board has not established a separate nomination committee to oversee the performance evaluation of the senior executives.

Until a nomination committee is established, the Board will undertake the obligations of the nomination committee in connection with evaluating the performance of senior executives in accordance with Schedule 6 of its Corporate Governance Plan.

- 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1. Compliant: Yes.

The Company will explain any departures from Principles and Recommendations 1.1 and 1.2 (if any) in its future annual reports, including whether a performance evaluation for senior executives (if any exist at that time) has taken place in the reporting period and whether it was in accordance with the process disclosed.

The Company has not undertaken any performance evaluation of any senior executive in the last reporting period.

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## CORPORATE GOVERNANCE STATEMENT

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The Company has adopted a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board may delegate responsibility for the day-to-day operations and administration of the Company to the chief executive officer/ managing director (if appointed).

The Board Charter is contained in Schedule 1 of the Company's Corporate Governance Plan and the Nomination Committee Charter is contained in Schedule 5 of the Company's Corporate Governance Plan.

### **2. Structure the Board to add value**

#### **2.1 A majority of the Board should be independent directors. Compliant: No**

Currently the Company has no independent Directors.

The Company's Corporate Governance Plan outlines that the majority of the Board will be comprised of non-executive directors, and where practical, at least 50% of the Board will be independent. However, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of an appointment of a majority of independent directors. The current Board structure presently consists of an executive chairman, an executive director and one non-executive director.

The Board believes that each of the Directors can make, and do make, quality and independent judgements in the best interests of the Company. Any Director who has a conflict of interest in relation to a particular item of business must declare their conflict and abstain from voting or participating in Board deliberations to which a conflict of interest relates.

#### **2.2 The chair should be an independent director. Compliant: No.**

John Prineas is the executive Chairman and is a not an Independent Director.

The Company's Corporate Governance Plan provides that the Chairman, where practical, should be a non-executive Director.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to require an independent Chairman. This will be reviewed as the Company develops.

#### **2.3 The roles of chair and chief executive officer should not be exercised by the same individual. Compliant: No.**

The Company has not appointed a chief executive officer. The Chairman is John Prineas. The Company intends to seek out and appoint a chief executive officer, separate from the role of chairman, in the future. However, due to the current limited size of the Company's operations it may not be appropriate to appoint a separate chief executive officer for some time.

The Company's Corporate Governance Plan provides, where practical, that the chief executive officer should not be the Chairman of the Company during his term as chief executive officer or in the future.

#### **2.4 The Board should establish a nomination committee. Compliant: No.**

Given that the Company is in its early stages of development and given the current size and structure of the Board, the Board has not established a separate nomination committee.

Matters typically dealt with by such a committee are dealt with by the Board. The Board may also seek independent advice to assist with the identification process.



- 2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors. Compliant: No.

The Company will put a formal process in place as and when the Company's level of operations justifies it. Currently, the Board undertakes the obligations of the nomination committee in connection with evaluating the performance of the Board, its committees and individual directors, and will continue to do so until a nomination committee is established.

- 2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2. Compliant: Yes

A description of the skills and experience of each of the current Directors is included on the Company's website at [www.stgeorgemining.com.au](http://www.stgeorgemining.com.au).

Given that the Company is in its early stages of development and given the current size and structure of the Board, the Company has not fully complied with Principle 2 of ASX Corporate Governance Council Principles and Recommendations. However, it will seek to do so as it develops and the Board grows.

The Board Charter includes a statement that the Board may seek independent professional advice at the Company's expense.

The Board has not established a nomination committee and its functions are carried out by the Board.

The Company will provide details of any new director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from Corporate Governance Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.

### 3. Promote ethical and responsible decision-making

- 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Compliant: Yes

The Company's Code of Conduct, which is included in Schedule 2 of the Company's Corporate Governance Plan, aims to encourage the appropriate standards of conduct and behaviour of the directors, officers and employees of the Company.

- 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. Compliant: Yes and No

Under the Company's Corporate Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. Under the Company's Corporate Code of Conduct, all forms of discrimination and harassment are prohibited. Such harassment or discrimination may constitute an offence under legislation.

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## CORPORATE GOVERNANCE STATEMENT

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A formal Diversity Policy has been adopted by the Company and is set out in Schedule 10 of the Company's Corporate Governance Plan.

The Board is responsible for developing measurable objectives and strategies to meet the Objectives of the Diversity Policy (**Measureable Objectives**) and monitoring the progress of the Measureable Objectives through monitoring, evaluation and reporting mechanisms listed below.

The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set Measurable Objectives for achieving gender diversity. The Company will consider establishing measurable objectives as it develops.

- 3.3 Companies should disclose in each annual report the measureable objectives for achieving set by the Board in accordance with the diversity policy and progress in achieving them. Compliant: No

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet set measurable objectives for achieving gender diversity. The Company will consider establishing measurable objectives as it develops.

- 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. Compliant: Yes

The Company's future annual reports will include the proportion of woman employees within the organisation as well as women in senior positions within the Company.

- 3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3. Compliant: Yes.

The Board will include in the Annual Report each year:

- measurable objectives (if any) set by the Board;
- progress against the objectives; and
- the proportion of women employees in the whole organisation at senior management and at Board level.

The Company will explain any departures from Corporate Governance Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 in the Corporate Governance Statement and its future annual reports.

#### 4. Safeguard integrity in financial reporting

- 4.1 The Board should establish an audit committee. Compliant: No.

A formal Audit and Risk Committee Charter has been adopted by the Company, which is contained in Schedule 3 of the Company's Corporate Governance Plan.

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. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board

considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

4.2 The audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the Board
- has at least three members.

Compliant: No

Refer to 4.1 above.

4.3 The audit committee should have a formal charter. Compliant: No

A formal Audit and Risk Committee Charter has been adopted by the Company, which is contained in Schedule 3 of the Company's Corporate Governance Plan.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4. Compliant: Yes.

The Company does not have an audit committee. The Board carries out the duties of the audit committee.

The Company will explain any departures from the Corporate Governance Principles and Recommendations 4.1, 4.2 and 4.3 (if any) in its future annual reports.

## 5. Make timely and balanced disclosure

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Compliant: Yes

The Company's Continuous Disclosure Policy, which is contained in Schedule 7 of the Company's Corporate Governance Plan, is designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

5.2 Companies should provide the information indicated in Guide to Reporting on Principle 5. Compliant: Yes

The Company does not have an audit committee. The Board carries out the duties of the audit committee.

The Company will provide an explanation of any departures from Corporate Governance Principle and Recommendation 5.1 in its future annual reports.

### 6. Respect the rights of shareholders

- 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Compliant: Yes

The Company has adopted a Shareholder Communications Strategy, contained in Schedule 11 of the Company's Corporate Governance Plan, which aims to ensure that the shareholders of the Company are informed of all major developments affecting the Company's state of affairs.

The strategy provides that information will be communicated to shareholders through:

- a) the Annual Report delivered by post or email (on request) which is also placed on the Company's website;
- b) the half yearly report which is placed on the Company's website;
- c) the quarterly reports which are placed on the Company's website;
- d) disclosures and announcements made to the ASX copies of which are placed on the Company's website;
- e) notices and explanatory memoranda of Annual General Meetings (AGM) and Extraordinary General Meetings (EGM), copies of which are placed on the Company's website;
- f) the Chairman's address and the Managing Director's address made at the AGMs and the EGMs, copies of which are placed on the Company's website;
- g) the Company's website on which the Company posts all announcements which it makes to the ASX; and
- h) the auditor's lead engagement partner being present at the AGM to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

- 6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6. Compliant: Yes

The Company will provide an explanation of any departures from Corporate Governance Principle and Recommendation 6.1 (if any) in its future annual reports.

### 7. Recognise and manage risk

- 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. Compliant: Yes and No

Given that the Company is in its early stages of development, and given the current size and structure of the Board, the Board has not established a separate audit committee. However the Audit and Risk Committee Charter contained in the Company's Corporate Governance Plan sets out the Company's policies for the oversight and management of material business risks.

The Board will carry out the duties of the audit committee in accordance with the formal terms of reference set out in the Company's Corporate Governance Plan.

The Board will carry out the duties of the audit committee. The Board is responsible for determining the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

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## CORPORATE GOVERNANCE STATEMENT

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- 7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. Compliant: Yes

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business in addition to those identified by the Audit and Risk Committee (once established). Key operational risks and their management will be recurring items for deliberation at Board Meetings.

- 7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Compliant: Yes.

The Board will seek the relevant assurance from the chief executive officer and chief financial officer (or their equivalents) at the relevant time.

- 7.4 Companies should provide the information indicated in Guide to Reporting on Principle 7. Compliant: Yes

The Company will provide an explanation of any departures from Corporate Governance Principles and Recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.

### 8. Remunerate fairly and responsibly

- 8.1 The Board should establish a remuneration committee. Compliant: No

A formal Remuneration Committee Charter has been adopted by the Company, which is contained in Schedule 4 of the Company's Corporate Governance Plan. However, given that the Company is in its early stages of development and given the current size and structure of the Board, the Board has not established a separate remuneration committee.

This will be reviewed as the Company's circumstances change.

Until a Remuneration Committee is established, the Board will carry out the duties of the Remuneration Committee in accordance with the formal terms of reference of the Remuneration set out in the Company's Corporate Governance Plan.

- 8.2 The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent director
- has at least three members

Compliant: No

Refer to 8.1 above.

- 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. Compliant: Yes



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## CORPORATE GOVERNANCE STATEMENT

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Executive Directors remuneration packages may comprise of:

- fixed salary;
- performance based bonuses;
- participation in any share/option scheme; and
- statutory superannuation.

Independent Non-executive Directors receive fixed directors fees only, and do not participate in any performance-based remuneration. Fixed Director's fees may be paid in the form of cash, share options or a combination of both. Share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity.

Full remuneration disclosure, including superannuation entitlements will be provided by the Company in its future annual reports.

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8. Compliant: Yes.

The Company will provide an explanation of any departures from Corporate Governance Principles and Recommendations 8.1, 8.2 and 8.3 (if any) in its future annual reports.

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## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

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

Australian Dollar (\$)	Note	30 JUNE 2011 \$	19 OCTOBER 2009 TO 30 JUNE 2010 \$
<b>REVENUE</b>	3	<u>44,472</u>	<u>-</u>
<b>EXPENDITURE</b>			
Administration expenses	4	(645,412)	(103,708)
Exploration expenditure written off		<u>(2,175,247)</u>	<u>(218,779)</u>
		<b><u>(2,776,187)</u></b>	<b><u>(322,487)</u></b>
<b>LOSS BEFORE INCOME TAX</b>			
Income tax expense	5(a)	<u>50,289</u>	<u>-</u>
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>		<b><u>(2,725,898)</u></b>	<b><u>(322,487)</u></b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b><u>(2,725,898)</u></b>	<b><u>(322,487)</u></b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>		<b><u>(2,725,898)</u></b>	<b><u>(322,487)</u></b>
<b>LOSS PER SHARE</b>			
Basic and diluted – cents per share	13	<u>(6.1)</u>	<u>(1.4)</u>

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

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**FINANCIAL REPORT AS AT 30 JUNE 2011**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

Australian Dollar (\$)	Note	30 JUNE 2011 \$	30 JUNE 2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14(a)	1,113,488	382,841
Trade and other receivables	8(a)	76,172	16,133
Other assets	8(b)	13,001	108,513
<b>TOTAL CURRENT ASSETS</b>		<b>1,202,661</b>	<b>507,487</b>
<b>NON CURRENT ASSETS</b>			
Security bond		1,000	-
Exploration and evaluation expenditure	9	412,411	385,111
<b>TOTAL NON CURRENT ASSETS</b>		<b>413,411</b>	<b>385,111</b>
<b>TOTAL ASSETS</b>		<b>1,616,072</b>	<b>892,598</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	158,197	188,204
Loans	10	-	230,000
Provisions	10	8,625	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>166,822</b>	<b>418,204</b>
<b>TOTAL LIABILITIES</b>		<b>166,822</b>	<b>418,204</b>
<b>NET ASSETS</b>		<b>1,449,250</b>	<b>474,394</b>
<b>EQUITY</b>			
Issued capital	11(a)	4,447,795	796,881
Reserves	11(b)	49,840	-
Accumulated losses	12	(3,048,385)	(322,487)
<b>TOTAL EQUITY</b>		<b>1,449,250</b>	<b>474,394</b>

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

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

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

Australian Dollar (\$)	SHARE CAPITAL	ACCUMULATED LOSSES	SHARE OPTION RESERVE	TOTAL EQUITY
<b>BALANCE AT 1 JULY 2010</b>	<b>796,881</b>	<b>(322,487)</b>	-	<b>474,394</b>
Loss for the year	-	(2,725,898)	-	(2,725,898)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	-	(2,725,898)	-	(2,725,898)
Shares issued during the year	4,000,000	-	-	4,000,000
Options granted for tenement	-	-	49,840	49,840
Share issue expenses	(349,086)	-	-	(349,086)
<b>BALANCE AT 30 JUNE 2011</b>	<b>4,447,795</b>	<b>(3,048,385)</b>	<b>49,840</b>	<b>1,449,250</b>
<b>BALANCE AT 19 OCTOBER 2009</b>	-	-	-	-
Loss for the period	-	(322,487)	-	(322,487)
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	-	(322,487)	-	(322,487)
Shares issued during the period	825,001	-	-	825,001
Options granted for tenement	-	-	-	-
Share issue expenses	(28,120)	-	-	(28,120)
<b>BALANCE AT 30 JUNE 2010</b>	<b>796,881</b>	<b>(322,487)</b>	-	<b>474,394</b>

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

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**FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011**


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

Australian Dollar (\$)	Note	30 JUNE 2011	19 OCTOBER 2009 TO 30 JUNE 2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Expenditure on mining interests		(2,194,298)	(155,678)
Payments to suppliers and employees		(634,889)	(17,283)
Interest received		44,471	-
Other – GST		(10,937)	(10,041)
<b>Net cash outflow from operating activities</b>	14(b)	<u><b>(2,795,653)</b></u>	<u><b>(183,542)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current asset		-	(385,111)
Payment for security bonds		(1,000)	-
<b>Net cash outflow from investing activities</b>		<u><b>(1,000)</b></u>	<u><b>(385,111)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of shares net of capital raising costs		3,757,300	721,494
Proceeds from borrowings		-	230,000
Repayment of borrowings		(230,000)	-
<b>Net cash flows from financing activities</b>		<u><b>3,527,300</b></u>	<u><b>951,494</b></u>
<b>Net increase in cash and cash equivalents</b>		<u><b>730,647</b></u>	<u><b>382,841</b></u>
Cash and cash equivalents at the beginning of the financial year		<u>382,841</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	14(a)	<u><b>1,113,488</b></u>	<u><b>382,841</b></u>

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



## **1 CORPORATE INFORMATION**

The financial report of St George Mining Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 21 September 2011.

St George Mining Limited is a company limited by shares, incorporated in Australia on 19 October 2009. The consolidated financial statements of the Company for year ended 30 June 2011 comprise of the Company and its subsidiaries together referred to as the Group or consolidated entity.

The nature of the operations and principal activity of the Group is mineral exploration.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Preparation of the Financial Report**

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

The financial report is presented in Australian dollars. The following accounting policies have been adopted by the consolidated entity.

#### *Going Concern*

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Consolidated Entity has recorded a net accounting loss of \$2,725,898 and net operating cash outflows of \$2,795,653 for the year ended 30 June 2011. The directors believe the going concern basis is appropriate as:

- The cash assets of the Group at 30 June 2011 were \$1,113,488.
- The Board announced on 2 August 2011 a capital raising of 1 for 5 non-renounceable entitlements issue of shares at an issue price of \$0.15 per new share. A total of \$1.575 million (before costs) was raised by this initiative and will provide the Group with additional funds to accelerate the exploration activities of the Group's projects.

As a result of the above funding opportunities, the Board is confident that the Group will have sufficient funds to finance its operations in the 2011/2012 Financial Year.

### **(b) 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 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 the period of year that they were controlled. A list of controlled entities is contained in note 21 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.

**(c) Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**(d) Adoption of new and revised standards**

The following new standards and amendments to standards are mandatory for the financial year beginning 1 July 2010.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139);
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139); and
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

**(e) Statement of compliance**

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

**(f) Income Tax**

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

**(g) Exploration, evaluation and development expenditure**

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

**(h) Revenue**

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

**(i) Interest**

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(j) Cash and cash equivalents**

Cash and short-term deposits in the consolidated Statement of Financial Position 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 consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(k) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated cash outflows to be made to those benefits

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

**(l) Impairment of assets**

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

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

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

**(m) Earnings per share**

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

**(n) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of 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 in the consolidated Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated Statement of Financial Position.

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



**(o) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the consolidated profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

**(p) Financial assets**

Financial assets and financial liabilities are recognised in the consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the consolidated Statement of Cash Flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through the profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through the profit or loss when:

- (a) an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through the profit or loss;
- (b) doing so results in more relevant information, because either:
  - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
  - (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through the profit or loss.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through the profit or loss is recognised in the income statement.

Financial assets not measured at fair value comprise:

- (a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method;
- (b) held-to maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method; and

- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets, which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through the profit and loss.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the consolidated Statement of Changes in Equity (except for impairment losses and foreign exchange gains or losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Regular way purchases of financial assets are accounted for as follows:

- financial assets held for trading – at trade date
- held-to-maturity investments – at trade date
- loans and receivables – at trade date
- available-for-sale financial assets – at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method:

- (a) financial liabilities at fair value through the profit and loss and derivatives that are liabilities measured at fair value;
- (b) financial liabilities that arise when a transfer of financial asset does not qualify for de-recognition or are accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

**(q) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years

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

**(r) Contributed equity**

Ordinary shares and options are classified as contributed equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(s) Significant accounting estimates and judgements**

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Deferred taxation*

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of the tax losses is not yet considered probable (refer note 5).

*Subsidiary Loans*

Provision has been made for all unsecured loans with subsidiaries as it is uncertain if and when the loans will be recovered.

*Capitalised exploration costs*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, either from future exploration or sale or where activities have not reached a stage which permits reasonable assessment.

**(t) Comparative information**

Comparative information is amended where appropriate to ensure consistency in presentation with the current year.

**3 REVENUE**

	<b>CONSOLIDATED 30 JUNE 2011 \$</b>	<b>CONSOLIDATED 30 JUNE 2010 \$</b>
<b>Other income</b>		
Interest income	44,472	-
	<u><b>44,472</b></u>	<u><b>-</b></u>

**4 EXPENSES**

Administration expenses include the following expenses:

	<b>CONSOLIDATED 30 JUNE 2011 \$</b>	<b>CONSOLIDATED 30 JUNE 2010 \$</b>
<b>Employee benefit expense</b>		
Wages and salaries	149,333	-
Accrued annual leave	8,622	-
Defined contribution superannuation expense	13,440	-
	<u><b>171,395</b></u>	<u><b>-</b></u>
<b>Other administration costs</b>		
Accounting fees	84,549	14,110
Administrative fees	24,231	9,757
Consulting fees	63,000	40,750
Legal fees	72,167	-
	<u><b>243,947</b></u>	<u><b>64,617</b></u>

**5 INCOME TAX**

**(a) Prima facie income tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements**

	<b>CONSOLIDATED 30 JUNE 2011</b>	<b>CONSOLIDATED 30 JUNE 2010</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax	<u>(2,725,898)</u>	<u>(322,487)</u>
Income tax calculated at 30%	(817,769)	(96,746)
Tax effect of;-		
Expenses not allowed	37	119
Sundry – temporary differences	(2,236)	20,184
Section 40-880 deduction	(22,632)	(1,687)
Deferred exploration and evaluation expenditure	46,992	(115,533)
Research and Development rebate (i)	50,289	-
Future income tax benefit not brought to account	<u>795,608</u>	<u>193,663</u>
<b>Income attributable to operating losses</b>	<b><u>50,289</u></b>	<b><u>-</u></b>

(i) The Research and Development rebate is in relation to the year ended 30 June 2010.

**(b) Deferred tax assets**

The potential deferred tax asset arising from the tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet probable.

	<b>CONSOLIDATED 30 JUNE 2011</b>	<b>CONSOLIDATED 30 JUNE 2010</b>
	<b>\$</b>	<b>\$</b>
Australian tax losses	989,271	193,663
Provisions net of prepayments	17,947	26,946
Exploration and evaluation expenditures	(108,771)	(115,533)
Section 40-880 deduction	<u>88,842</u>	<u>6,748</u>
<b>Unrecognised deferred tax assets relating to the above temporary differences</b>	<b><u>987,289</u></b>	<b><u>111,824</u></b>

The benefits will only be obtained if;

- (i) The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The Group continues to comply with the conditions in deductibility imposed by the Law; and
- (iii) No change in tax legislation adversely affect the Group in realising the benefits from the deductions or the losses.

## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

### 6 AUDITOR'S REMUNERATION

	CONSOLIDATED 30 JUNE 2011 \$	CONSOLIDATED 30 JUNE 2010 \$
<b>Auditors remuneration</b>		
Auditing and review of the Company's financial statements	18,554	15,979
Other non audit services	-	10,767
	<b>18,554</b>	<b>26,746</b>

### 7 KEY MANAGEMENT PERSONNEL

#### (a) Details of key management personnel

##### Directors

John Prineas  
Tim Hornsky  
Marcus Michael

##### Executive

John Prineas – Executive Chairman  
Tim Hornsky – Executive Director  
Marcus Michael – Non-Executive Director and Company Secretary

#### (b) Compensation of key management personnel

	CONSOLIDATED 30 JUNE 2011 \$	CONSOLIDATED 30 JUNE 2010 \$
Salaries, fees and leave	304,205	82,500
Bonus	60,000	-
Non monetary	9,250	11,240
Post employment benefits – superannuation	13,440	-
Equity settled share-based payments – shares and options	-	-
	<b>386,895</b>	<b>93,740</b>

#### Equity Settled Compensation

The Company operates equity-settled share-based payment employee share schemes. The fair value of the equity to which the employees are entitled to is measured at grant date. During the year the Company did not make any equity settled share based payments.

#### (c) Shareholdings of key management personnel

Directors	Balance at 19 October 2009	Granted as remuneration	Net other change (i)	Balance at 30 June 2010
John Prineas	-	-	6,962,517	6,962,517
Tim Hornsky	-	-	1,062,500	1,062,500
Marcus Michael	-	-	2,222,222	2,222,222
<b>Total</b>	-	-	<b>10,247,239</b>	<b>10,247,239</b>



## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

Directors	Balance at 1 July 2010	Granted as remuneration	Net other change (ii)	Balance at 30 June 2011
John Prineas	6,962,517	-	1,141,000	8,103,517
Tim Hornsky	1,062,500	-	-	1,062,500
Marcus Michael	2,222,222	-	120,000	2,342,222
<b>Total</b>	<b>10,247,239</b>	<b>-</b>	<b>1,261,000</b>	<b>11,508,239</b>

(i) Acquired pre initial public offering for cash consideration.

(ii) Acquired on market for cash consideration.

### (d) Performance Shareholdings of key management personnel

Directors	Balance at 19 October 2009	Granted as remuneration	Net other change (i)	Balance at 30 June 2010
John Prineas	-	-	30	30
Tim Hornsky	-	-	10	10
Marcus Michael	-	-	15	15
<b>Total</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>55</b>

Directors	Balance at 1 July 2010	Granted as remuneration	Net other change (i)	Balance at 30 June 2011
John Prineas	30	-	-	30
Tim Hornsky	10	-	-	10
Marcus Michael	15	-	-	15
<b>Total</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>55</b>

(i) On satisfaction of certain milestone events, each Performance Share converts into 100,000 ordinary shares (refer to Directors Report and note 11 (a)) in which case John Prineas would become entitled to a further 3,000,000 ordinary shares, Tim Hronsky a further 1,000,000 ordinary shares and Marcus Michael a further 1,500,000 ordinary shares.

### (e) Other key management personnel transactions

Accounting, bookkeeping and secretarial service fees of \$99,869 (2010: \$23,685) were paid or payable on ordinary commercial terms during the year to Marshall Michael Pty Ltd, a company in which Mr Michael is a director and has a beneficial interest.

## 8 CURRENT ASSETS

### (a) Trade and Other Receivables

	CONSOLIDATED 30 JUNE 2011 \$	CONSOLIDATED 30 JUNE 2010 \$
Current	76,172	16,133
	<u>76,172</u>	<u>16,133</u>

Other receivables include amounts outstanding for goods and services tax (GST) of \$25,379 (2010: \$16,133), an income tax refund for the year ended 30 June 2010 of \$50,793. GST and income tax amounts are non-interest

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**NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011**

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bearing and have repayment terms applicable under the relevant government authorities. No trade and other receivables are impaired or past due.

**(b) Other Assets**

	<b>CONSOLIDATED 30 JUNE 2011</b>	<b>CONSOLIDATED 30 JUNE 2010</b>
	\$	\$
Prepayments	13,001	108,513
	<u><b>13,001</b></u>	<u><b>108,513</b></u>

**9 EXPLORATION, EVALUATION AND ACQUISITION EXPENDITURE**

The Group has capitalised significant acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

	<b>CONSOLIDATED 30 JUNE 2011</b>	<b>CONSOLIDATED 30 JUNE 2010</b>
	\$	\$
Balance at the beginning of the year	385,111	-
Additions	49,840	385,111
Amount reversed from prior year (i)	(22,540)	-
	<u><b>412,411</b></u>	<u><b>385,111</b></u>

(i) Amount reserved from prior year of \$22,540 represents the provision of future expenses to be incurred by the Group for tenement acquisitions.

**10 CURRENT LIABILITIES**

	<b>CONSOLIDATED 30 JUNE 2011</b>	<b>CONSOLIDATED 30 JUNE 2010</b>
	\$	\$
Trade and other payables	158,197	188,204
Provisions – employee entitlement	8,625	-
Short term loans (i)	-	230,000
	<u><b>166,822</b></u>	<u><b>418,204</b></u>

(i) Short term loans

Certain of the foundation shareholders (or entities associated with them) provided loans to the Company to assist in the funding of its business activities. The total amount of these loans is \$230,000, including loans from entities associated with each of John Prineas and Marcus Michael (each for \$76,666.66). The loans are unsecured and are interest free and were repaid on 15 November 2010.

**11 ISSUED CAPITAL**

Australian Dollar \$	30 JUNE 2011 \$	30 JUNE 2010 \$
<b>(a) Issued and paid up capital</b>		
At the beginning of the reporting period	796,881	-
20,000,000 shares issued during the year at \$0.20 per share	4,000,000	825,001
Transactions costs arising from issue of shares	(349,086)	(28,120)
<b>At reporting date 52,500,000 (30 June 2010: 32,500,000) fully paid ordinary shares</b>	<b>4,447,795</b>	<b>796,881</b>

Movements in Ordinary Shares	Number	Number
At the beginning of the reporting period	32,500,000	-
Shares issued during the year	20,000,000	32,500,000
<b>At reporting date</b>	<b>52,500,000</b>	<b>32,500,000</b>

Movements in Performance Shares	Number	Number
At the beginning of the reporting period	100	-
Shares issued during the year	-	100
<b>At reporting date</b>	<b>100</b>	<b>100</b>

- (i) There are 100 Performance Shares (convertible into a maximum of 10,000,000 Shares) on issue at 30 June 2011, having the terms and conditions set out below:

General terms attaching to the Performance Shares are set out below:

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company, subject to any voting rights under the Corporations Act or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Upon winding up of the Company, the Performance Shares may participate in the surplus profits or assets of the Company only to the extent, and on the basis that each Performance Share has converted into one (1) Share.
- (f) **(Transfer of Performance Shares)** Prior to the Company being admitted to the Official List of the ASX, the Performance Shares are transferable. In the event the Company is admitted to the Official List of the ASX, the Performance Shares will no longer be transferable.
- (g) **(Reorganisation of Capital)** In the event that the Company is admitted to the Official List of the ASX and the issued capital of the Company is subsequently reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.

- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. In the event that the Company is admitted to the Official List of the ASX, upon conversion of the Performance Shares into Shares in accordance with these terms, the Company must within seven (7) days after the conversion, apply for the official quotation on ASX of the Shares arising from the conversion.
- (i) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Shares such as bonus issues and entitlement issues.
- (j) **(Amendments required by ASX)** The terms of the Performance Shares may be amended as necessary by the directors of the Company in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms.
- (k) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

#### **Conversion of the Performance Shares**

- (a) **(Conversion of Performance Shares)** Each Performance Share will convert into 100,000 Shares upon the first to occur of the following events (each a Milestone):
  - (i) a Company Project attains a measured JORC Code compliant inferred resource of at least 1,000,000 ounces of Gold;
  - (ii) a Company Project attains a measured JORC Code compliant inferred resource of at least 50,000 tonnes contained Nickel;
  - (iii) the market capitalisation of the Company is greater than \$50 million for a minimum of 30 consecutive trading days, based upon the volume weighted average price of Shares quoted on the ASX;
  - (iv) a Company Project (or any part of it) is sold for a value of at least \$25 million (in cash and/or assets of equivalent value); or
  - (v) a joint venture arrangement is entered into for a Company Project and payments of at least \$25 million (in cash and/or assets of equivalent value) are paid to Company as part of that arrangement. For these purposes, a "Company Project" means: "any project in which the Company has an ownership interest (or an option to acquire an ownership interest) as at the date the Company is admitted to the Official List of the ASX."
- (b) **(Conversion if Milestone not Achieved)** If a Milestone is not achieved on or prior to the date which is 5 years after the date the Company is admitted to the Official List of the ASX being 12 November 2010 (Performance Share Expiry Date), then each Performance Share will automatically convert into one (1) Share.
- (c) **(After Conversion)** The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of allotment, rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares issued upon conversion.
- (d) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into the Shares.

## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

- (e) **(Ranking of Shares)** The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion. 55 Performance shares are held by entities associated with the Directors. The remaining Performance shares are held by foundation shareholders, whose interest in the Company at the date the performance shares were issue, being 16 November 2010 are as follows:

Foundation Shareholder	Shares	Performance Shares (i)
Impulzive Pty Ltd <Dawson Superannuation A/C>	6,962,491	30
St Barnabas Investments Pty Ltd <St Barnabas Superannuation Fund>	2,222,222	15

- (i) On satisfaction of certain milestones events set out above, each Performance Share converts into 100,000 shares in which case Impulzive Pty Ltd <Dawson Superannuation A/C> would become entitled to 3,000,000 further shares and St Barnabas Investments Pty Ltd <St Barnabas Superannuation Fund> 1,500,000 further shares.

### (b) Option Reserve

Movements in options reserve	30 JUNE 2011	30 JUNE 2010
	\$	\$
At the beginning of the year	-	-
Options granted but yet to be issued	49,840	-
<b>At reporting date</b>	<b>49,840</b>	<b>49,840</b>

As outlined in the Solicitors Report on Tenements contained in the IPO Prospectus, the Company has agreed to issue 800,000 Options as part consideration for the acquisition of an 80% interest in the Pine Creek property. The Pine Creek options will be issued to the vendor of the Pine Creek Property and are on the same terms and conditions as the free attaching option detailed in the Entitlement Prospectus.

The 800,000 share options have been valued by the independent expert, as per the prospectus dated 18 August 2010, at approximately \$49,840.

## 12 ACCUMULATED LOSSES

	CONSOLIDATED 30 JUNE 2011	CONSOLIDATED 30 JUNE 2010
	\$	\$
Accumulated losses at the beginning of the year	(322,487)	-
Loss for the year	(2,725,898)	(322,487)
<b>Accumulated losses at the end of the year</b>	<b>(3,048,385)</b>	<b>(322,487)</b>

## 13 LOSS PER SHARE

	CONSOLIDATED 30 JUNE 2011	CONSOLIDATED 30 JUNE 2010
	\$	\$
Basic loss per share after income tax attributable to members of the Company (cents per share)	(6.1)	(1.4)
<b>Diluted loss per share (cents per share)</b>	<b>(6.1)</b>	<b>(1.4)</b>

## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

	2011 Number	2010 Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	44,938,356	22,486,078
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>44,938,356</b>	<b>22,486,078</b>

### 14 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

	CONSOLIDATED 30 JUNE 2011 \$	CONSOLIDATED 30 JUNE 2010 \$
Current – cash at bank	1,113,488	382,841
	<b>1,113,488</b>	<b>382,841</b>

#### (b) Reconciliation of loss after tax to net cash flows from operations

	CONSOLIDATED 30 JUNE 2011 \$	CONSOLIDATED 30 JUNE 2010 \$
Loss after income tax	(2,725,898)	(322,487)
Depreciation	-	-
(Increase)/decrease in assets		
Trade and other receivables	(60,074)	(16,132)
Prepayments	(10,905)	(2,125)
Increase/(decrease) in liabilities		
Trade and other payables	(7,401)	157,202
Provisions – employee entitlement	8,625	
	<b>(2,795,653)</b>	<b>(183,542)</b>

### 15 COMMITMENTS AND CONTINGENCIES

#### (a) Commitment

##### Mineral exploration commitment

In order to maintain the current rights of tenure to exploration tenements, the Group has the following discretionary exploration expenditure requirements.



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## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

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	2011	2010
	\$	\$
Not later than one year	1,100,000	700,000
Later than one year but not later than two years	1,300,000	1,300,000
	<u>2,400,000</u>	<u>2,000,000</u>

### (b) Contingent liabilities and commitments

The Group fully owns two subsidiaries, Desert Fox Resources Pty Ltd and Blue Thunder Resources Pty Ltd, the main activities of which are exploration. The effect of these subsidiaries is to make the St George Mining owned subsidiaries contractually responsible for any transactions undertaken by the subsidiary. The parent entity has provided certain guarantees to third parties whereby certain liabilities of the subsidiary are guaranteed. The Group has the following contingent liabilities and commitments at 30 June 2010 and 30 June 2011.

	CONSOLIDATED 30 JUNE 2011	CONSOLIDATED 30 JUNE 2010
	\$	\$
ERS Cash payment upon ASX Listing (i)	-	60,000
Options fee/tenement acquisition costs (ii)	500,000	560,000
Bonus cash payment upon ASX Listing (iii)	-	60,000
Accumulated losses at the end of the year	<u>500,000</u>	<u>680,000</u>

- (i) The Company paid Essential Risk Solutions (ERS), a Company which Tim Hronsky is the Technical Director, a payment of \$60,000 within 30 days of the Company being admitted into the Official List. This payment was made on 24 November 2010.
- (ii) On 23 June 2010, the Company entered into an option agreement with Geotech International and Mr James Stewart together, (the Vendors) pursuant to which the Company has been granted by the Vendors the option to acquire an 80% interest in NT Tenement ELA27732 (Option) (Option Agreement).

Option Fee, Bonus Payments and other Consideration: Under the Option Agreement, the Company has paid an initial Option fee of \$20,000. The initial Option period is 12 months from the grant of the ELA27732. The Company has the right to extend the Option for up to three (3) further 12 month periods, each for a fee of \$60,000.

On being admitted to the Official List of the ASX on the 16 November 2010, the Company was required to pay a one-off bonus payment of \$60,000 to the Vendors. The payment was made on the 10 December 2010.

Upon grant of ELA27732, the Company paid to the Vendors:

- (a) a cash payment of \$60,000 made on 10 December 2010; and
- (b) 800,000 options to acquire Shares in the Company exercisable at \$0.20 each on or before 28 November 2014 that were issued on 9 September 2011.

Upon exercise of the Option, the Company will purchase ELA27732 for a cash payment of \$500,000 (Option Fee).

Joint Venture: Upon the exercise of the Option, the Vendors and the Company will form an unincorporated joint venture for the purpose of exploring, developing, and if thought fit, mining the area the subject of ELA27732 (Joint Venture).

The Company's initial interest in the Joint Venture will be 80%. The Joint Venture interest of the Vendors (20%) will be free carried until such time when a decision to mine is made following completion of a bankable feasibility study in relation to ELA27732 (Decision to Mine).

On and from the Parties making a Decision to Mine, the Vendor's will be required to contribute to expenditure in accordance with its 20% Joint Venture interest and if the Vendors fail to make the required payments, their Joint Venture Interest will be diluted. If the Vendors' Joint Venture interest dilutes to less than 5%, the interest will convert to a net smelter royalty of 2% and the Company will become the owner of a 100% interest in ELA27732.

The parties also agree that any tenements in a defined extended area surrounding ELA27732 that may be acquired by the parties will be transferred to the Joint Venture.

Termination: The Company is entitled to withdraw from the Option Agreement at any time during the Option period. However, withdrawal will not be permitted within 2 months of an anniversary date of ELA27732 until the minimum annual expenditure payment has been made by the Company.

## **16 EVENTS SUBSEQUENT TO BALANCE DATE**

St George Mining Limited on 2 August 2011 announced a pro rata non-renounceable entitlement issue of approximately 10,500,000 New Shares and up to 15,750,000 Free Attaching Options on the basis of one (1) New Share for every (5) Shares held by Shareholders on the Share Record Date, being 16 August 2011, at an issue price of \$0.15 per Share together with three (3) Free Attaching Options for every two (2) New Share issued to raise approximately \$1,575,000.

The Free Attaching Options are exercisable at \$0.20 on or before the date that is 28 November 2014.

On 7 September 2011 the Company issued 6,911,611 New Shares and 10,367,412 Free Attaching Options. On 13 September 2011 the Company issued the remainder of the shares and options under the entitlement being 3,588,389 New Shares and 5,382,588 Free Attaching Options.

On 8 September 2011 the Company issued 800,000 options exercisable at \$0.20 on or before 28 November 2014 to the vendors of exploration licence E27732, a tenement comprised in the Company's Pine Creek Property. The Company acquired an option to purchase an 80% interest in E27732 under an Option Agreement dated 23 June 2010. The Options allotted represent part consideration due under that Option Agreement.

## **17 FINANCIAL INSTRUMENTS**

### **(a) Interest Rate Risk**

The Group's exposure to interest rate risk, which is the risk that the 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 and financial liabilities, is as follows:

## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

2011	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate
		\$	\$	\$	\$	%
<b>Financial assets</b>						
Cash and cash equivalents	14(a)	1,098,914	-	14,619	1,113,533	3.72
Trade and other receivables	8	-	-	76,172	76,172	Nil
		<b>1,098,914</b>	<b>-</b>	<b>90,791</b>	<b>1,189,705</b>	
<b>Financial liabilities</b>						
Trade and other payables	10	-	-	166,822	166,822	Nil
		<b>-</b>	<b>-</b>	<b>166,822</b>	<b>166,822</b>	
<b>2010</b>	<b>Note</b>	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non- interest bearing</b>	<b>Total</b>	<b>Weighted average interest rate</b>
		\$	\$	\$	\$	%
<b>Financial assets</b>						
Cash and cash equivalents	14(a)	-	-	382,841	382,841	Nil
Trade and other receivables	8	-	-	16,133	16,133	Nil
		<b>-</b>	<b>-</b>	<b>398,974</b>	<b>398,974</b>	
<b>Financial liabilities</b>						
Trade and other payables	10	-	-	418,204	418,204	Nil
		<b>-</b>	<b>-</b>	<b>418,204</b>	<b>418,204</b>	

Based on the balances at 30 June 2011 a 1% movement in interest rates would increase/decrease the loss for the year before taxation by \$21,978.

### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

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

### (c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair value and is determined in accordance with the accounting policies disclosed in note 2 to the financial statements.

### (d) Financial risk management

The Group's financial instruments consist mainly of deposits with recognised banks, investment in bank bills up to 90 days, accounts receivable and accounts payable. Liquidity is managed, when sufficient funds are available, by holding sufficient funds in a current account to service current obligations and surplus funds invested in bank bills. The directors analyse interest rate exposure and evaluate treasury management

strategies in the context of the most recent economic conditions and forecasts. The main risks the Group is exposed to is through its financial instruments is the depository banking institution itself, holding the funds, and interest rates. The Group's credit risk is minimal as being an exploration Company, it has no significant financial assets other than cash and term deposits.

**e) Foreign Currency Risk**

The Group is not exposed to any foreign currency risk as at 30 June 2011.

**(f) Market Price Risk**

The Group is not exposed to market price risk as it does not have any investments other than an interest in the subsidiaries.

**18 RELATED PARTIES**

The Group has no related parties other than the 100% owned subsidiaries disclosed in note 22. At 30 June 2011 balances due from the subsidiaries were:

<b>Australian Dollar (\$)</b>	<b>30 JUNE 2011</b>	<b>30 JUNE 2010</b>
	<b>\$</b>	<b>\$</b>
Blue Thunder Resources Pty Ltd	325,018	55,227
Desert Fox Resources Pty Ltd	2,438,924	550,203
	<u><b>2,763,942</b></u>	<u><b>605,430</b></u>

These amounts comprise of funds provided by the parent company for exploration activities.

**19 SEGMENT REPORTING**

For management purposes, the Group is organised into one main operating segment, which involves the exploration of minerals in Australia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

**20 JOINT VENTURES**

The Group, through its wholly owned subsidiary, Blue Thunder Resources Pty Ltd, has entered into an Option Agreement with James Ian Stewart and Geotech International Pty Ltd (jointly, the "Vendor") whereby the Group acquired an option to purchase an 80% interest in the tenement application EL27732 which has been made by the Vendor. If the option is exercised, the tenement will be subject to a joint venture between Blue Thunder Resources Pty Ltd (which will have an 80% interest in the joint venture) and the Vendor (which will have a 20% interest in the joint venture) (the "Pine Creek Joint Venture"). The joint venture agreement has not yet been entered into. The Option Agreement outlines some of the key terms for the joint venture agreement.

The Group, through Blue Thunder Resources Pty Ltd, has applied for six additional tenements at Pine Creek. A 20% interest in these two tenements will be held for the benefit of the Vendor. There is no assurance that these tenements will be granted, the option exercised or the joint venture entered into. As at the date of this report all 6 tenements had been granted.

## NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

The Group recognises that joint ventures are a key mechanism for sharing of risk on individual exploration projects. Where appropriate for a particular project, the Group will consider a joint venture with a suitable party in order to share the exploration risk. Those funds otherwise set aside for the project will be employed to advance another project.

### 21 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 policy decisions of these subsidiaries.

Subsidiaries of St George Mining Limited	Country of incorporation	Percentage owned %	
		2011	2010
Desert Fox Resources Pty Ltd	Australia	100%	100%
Blue Thunder Resources Pty Ltd	Australia	100%	100%

### 22 PARENT COMPANY DISCLOSURE

#### (a) Financial Position for the year ended 30 June 2011

Australian Dollar (\$)	30 JUNE 2011 \$	30 JUNE 2010 \$
<b>Assets</b>		
Current assets	1,202,705	505,946
Non-current assets	2,763,945	-
<b>Total assets</b>	<b>3,966,650</b>	<b>505,946</b>
<b>Liabilities</b>		
Current liabilities	166,822	418,203
Non-current liabilities	2,763,942	-
<b>Total liabilities</b>	<b>2,930,764</b>	<b>418,203</b>
<b>Net assets</b>	<b>1,035,886</b>	<b>87,743</b>
<b>Equity</b>		
Issued capital	4,447,795	796,881
Reserves	49,840	-
Accumulated losses	(3,461,749)	(709,138)
<b>Total equity</b>	<b>1,035,886</b>	<b>87,743</b>

#### (b) Financial Performance for the year ended 30 June 2011

Australian Dollar \$	30 JUNE 2011 \$	19 OCTOBER 2009 to 30 JUNE 2010 \$
Profit (loss) for the year	(2,752,611)	(709,138)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(2,752,611)</b>	<b>(709,138)</b>

#### (c) Guarantees entered into by the Parent Entity

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**NOTES TO THE FINANCIAL REPORT YEAR ENDED 30 JUNE 2011**

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	<b>30 JUNE 2011</b>	<b>30 JUNE 2010</b>
	\$	\$
ASX listing bonus	-	60,000
Option fee/tenement acquisition costs	500,000	560,000
	<u>500,000</u>	<u>620,000</u>

The parent entity has provided guarantees to third parties in relation to the option agreement with Geotech International and Mr James Stewart. Further details regarding this transaction can be found at note 15(b).

**(d) Commitments and contingencies of the Parent Company**

	<b>30 JUNE 2011</b>	<b>30 JUNE 2010</b>
	\$	\$
ERS Cash Payment upon ASX Listing (i)	-	60,000
	<u>-</u>	<u>60,000</u>

- (i) The Company will pay Essential Risk Solutions (ERS), a Company which Tim Hronsky is the Technical Director, a payment of \$60,000 within 30 days of the Company being admitted into the Official List. Payment was made on 24 November 2010.

**23 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Company's accounting for financial assets as it does not have any available for sale assets other than equity investments.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Company has decided not to early adopt AASB 9.

- (ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.



- (iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. St George Mining Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- (iv) AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- (v) AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- (vi) AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13] (applicable to annual reporting periods beginning on or after 1 January 2011).

- (vii) Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable to annual reporting periods beginning on or after 1 January 2011).

- (viii) Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to annual reporting periods beginning on or after 1 January 2013).

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## DIRECTORS DECLARATION

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In the opinion of the Directors of St George Mining Limited ("the Company")

- (a) The financial statements and the notes and the additional disclosures included in the directors' report designated as audited of the Group are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended that date; and
  - (ii) Complying with Accounting Standards and Corporations Regulations 2001, and:
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The financial statements and notes comply with International Financial Reporting Standards as disclosed in Note 2.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Board



John Prineas  
Executive Chairman

Dated this 21 September 2011  
Perth, Western Australia

21 September 2011

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

Dear Directors

**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 the Audit Director for the audit of the financial statements of St George Mining Limited for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

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



**J P Van Dieren**  
Director

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

### **Report on the Financial Report**

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

#### *Directors' responsibility for the Financial Report*

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

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

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

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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of St George Mining Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.


**Report on the Remuneration Report**

We have audited the remuneration report included in pages 13 to 16 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Auditor's opinion*

In our opinion the remuneration report of St George Mining Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

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

*Stantons International Audit and Consulting Pty Ltd*  


**J P Van Dieren**  
Director

West Perth, Western Australia  
21 September 2011

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## SHAREHOLDER INFORMATION

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### 1 Distribution of holders

As at 21 September 2010 the distribution of shareholders was as follows:

#### Ordinary shares

Size of holding	Number of holders
1 – 1,000	17
1,001 – 5,000	15
5,001 – 10,000	61
10,001 – 100,000	242
100,001 and over	73
<b>Total</b>	<b>408</b>

### 2 Voting rights

There are no restrictions to voting rights attached to the ordinary shares. On a show of hands every member present in person will have one vote and upon a poll, every member present or by proxy will have one vote each share held.

### 3 Substantial shareholders

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the Corporation Act 2001 are;

Shareholder	Shares held	Percentage interest %
John Prineas	8,103,517	15.44
Impulzive Pty Ltd <Dawson Superannuation Fund>	6,962,491	13.26
Oceanic Capital Pty Ltd	6,962,517	13.26

### 4 Top 20 shareholders

The names of the 20 largest shareholders on the share register as at 21 September 2011, who hold 64.93% of the ordinary shares of the Company, were as follows;

Shareholder	Number
John Prineas	8,355,021
Impulzive Pty Ltd <Dawson Superannuation A/C>	8,354,990
Oceanic Capital Pty Ltd	6,518,048
Yarandi Investments Pty Ltd <Griffith Family No 2 A/C>	2,225,000
St Barnabas Investments Pty Ltd <St Barnabas Super Fund A/C>	2,222,222
Mr Robert Wittenoom	1,533,333
Mr Wliiam Henry Hernstadt	1,190,833
Osiris Capital Investments Pty Ltd	1,111,111
Riverfront Nominees Pty Ltd <MCM Family A/C>	1,111,111
Mr Timothy Matthew Shaun Hronsky	1,062,500
Dixtru Pty Limited	1,050,000
AWD Consultants Pty Ltd <Stevens Super Fund A/C>	1,025,000
Oceanic Capital Pty Ltd	878,901
Mr John Prineas	744,000
Mr James Ian Stewart	728,496
Clariden Capital Limited	700,000
Charub Pty Ltd	586,000



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## SHAREHOLDER INFORMATION

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JBN Holdings Pty Ltd	540,000
Chelsea Securities Limited <A/C Client>	500,000
Mrs Karen Dawson	468,000

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### 5 Top 20 option holders

The names of the 20 largest option holders on the share register as at 21 September 2011, who hold 73.24% of the listed options of the Company, were as follows;

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Shareholder	Number
John Prineas	2,088,756
Impulzive Pty Ltd <Dawson Superannuation A/C>	2,088,749
Oceanic Capital Pty Ltd	1,010,850
Mr Robert Wittenoon	800,000
AWD Consultants Pty Ltd <Stevens Super Fund A/C>	600,000
Yarandi Investments Pty Ltd <Griffith Family No 2 A/C>	600,000
Mr James Ian Stewart	582,124
Dixtru Pty Limited	525,000
Mr William Henry Hernstadt	499,999
Bill Brooks Pty Ltd <Bill Brooks Super Fund A/C>	487,500
St Barnabas Investments Pty Ltd <St Barnabas Super Fund A/C>	450,000
Geotech International Pty Ltd <Paul Askins Super Fund A/C>	400,000
Riverfront Nominees Pty Ltd <MCM Family A/C>	363,335
Clariden Capital Limited	360,000
Osiris Capital Investments Pty Ltd	333,335
Mr Casey Iddon	230,500
Mr Dennis Lowe & Mrs Yvonne Lowe <Dennis R Lowe Pty Ltd SF A/C>	187,500
Mr John Anthony Chay & Mrs Kellie Anne Chay	183,000
Mrs Smiti Shah	172,500
Charub Pty Ltd	157,500

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### 6 Consistency with business objectives

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way the consistent with its stated objectives.

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## SCHEDULE OF TENEMENTS

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St George Mining Limited mineral interest as at 21 September 2011

### TENEMENT SCHEDULE – PINE CREEK PROPERTY

Tenement ID	Registered Holder	Equity	Status	Grant Date	Area
EL 27732	Geotech International Pty Ltd & James Stewart	50% each	Granted	25 Nov 2010	25 sub-blocks
EL 28016	Blue Thunder Resources Pty Ltd	100%	Granted	25 Nov 2010	254 sub-blocks
EL 28017	Blue Thunder Resources Pty Ltd	100%	Granted	25 Nov 2010	58 sub-blocks
EL 28232	Blue Thunder Resources Pty Ltd	100%	Granted	28 Mar 2011	5 sub-blocks
EL 28332	Blue Thunder Resources Pty Ltd	100%	Granted	25 Aug 2011	21 sub-blocks
EL 28463	Blue Thunder Resources Pty Ltd	100%	Granted	25 Aug 2011	26 sub-blocks
EL 28465	Blue Thunder Resources Pty Ltd	100%	Granted	25 Aug 2011	15 sub-blocks

**Notes:**

1. All tenements are in the Northern Territory.
2. EL = Exploration Licence
3. EL 27732 is subject to an Option Agreement with the registered holder whereby Blue Thunder Resources Pty Ltd can acquire an 80% interest in the tenement.
4. All other tenements are registered in the name of Blue Thunder Resources Pty Ltd which holds a 20% interest for the benefit of Geotech International Pty Ltd and James Stewart.

## SCHEDULE OF TENEMENTS

### TENEMENT SCHEDULE – EAST LAVERTON PROPERTY

Tenement ID	Registered Holder	Status	Equity	Grant Date (Application Date)	Area Blocks
E39/0981	Desert Fox Resources Pty Ltd	Granted	100	02 Aug 2004	18 BL
E39/0982	Desert Fox Resources Pty Ltd	Granted	100	02 Aug 2004	18 BL
E39/0985	Desert Fox Resources Pty Ltd	Granted	100	02 Aug 2004	13 BL
E39/1064	Desert Fox Resources Pty Ltd	Granted	100	02 Aug 2004	18 BL
E39/1229	Desert Fox Resources Pty Ltd	Granted	100	09 Nov 2007	87 BL
E39/1472	Desert Fox Resources Pty Ltd	Granted	100	14 Jan 2010	14 BL
E39/1473	Desert Fox Resources Pty Ltd	Granted	100	14 Jan 2010	1 BL
E39/1474	Desert Fox Resources Pty Ltd	Granted	100	14 Jan 2010	5 BL
E39/1475	Desert Fox Resources Pty Ltd	Granted	100	14 Jan 2010	2 BL
E39/1476	Desert Fox Resources Pty Ltd	Granted	100	14 Jan 2010	11 BL
E39/1467	Desert Fox Resources Pty Ltd	Granted	100	13 Jan 2010	11BL
E39/1492	Desert Fox Resources Pty Ltd	Granted	100	16 Apr 2010	8 BL
E39/1518	Desert Fox Resources Pty Ltd	Granted	100	23 June 2010	59 BL
E39/1519	Desert Fox Resources Pty Ltd	Granted	100	23 June 2010	1 BL
E39/1520	Desert Fox Resources Pty Ltd	Granted	100	23 June 2010	27 BL
E39/1521	Desert Fox Resources Pty Ltd	Granted	100	23 June 2010	58 BL
E39/1549	Desert Fox Resources Pty Ltd	Granted	100	4 Oct 2010	37 BL
E39/1565	Desert Fox Resources Pty Ltd	Granted	100	17 Dec 2010	66 BL
E39/1572	Desert Fox Resources Pty Ltd	Granted	100	20 Jan 2011	23 BL
E39/1601	Desert Fox Resources Pty Ltd	Granted	100	12 May 2011	8 BL
E39/1608	Desert Fox Resources Pty Ltd	Granted	100	1 July 2011	212 BL
E39/1655	Desert Fox Resources Pty Ltd	Pending	100	( 18 July 2011)	30 BL

**Notes:**

1. All tenements are in Western Australia.
2. E = Exploration Licence



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