Mount Gibson Iron

Mount Gibson Iron Limited
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ASX ANNOUNCEMENT

20 August 2014

Profit Result for Year Ended 30 June 2014 & Declaration of Final Dividend

HIGHLIGHTS *(All figures in Australian dollars unless stated otherwise)*

- Record full year sales revenue of **$898.0 million** (FY2013: $852.9 million) on record iron ore sales of 9.7 million wet metric tonnes (Mwmt). (FY2013: 8.8 Mwmt)
- Underlying Net Profit After Tax increased by 27% to **$117.7 million*** (FY2013: $92.9 million), before a $21.3 million non-cash tax accounting charge related to the MRRT.
- Net profit after tax of **$96.4 million**, inclusive of MRRT tax adjustment. (FY2013: $157.3 million)
- Fully franked cash dividend of **4.0 cents per share** (FY2013: 4.0 cents). Future dividends to be considered on a six monthly basis.
- Increase in cash and term deposits by **$143.8 million** to **$519.8 million.** (30-Jun-2013: $376.0 million)
- Net operating cashflow increased 32% to **$238.0 million.** (FY2013: $179.7 million)
- Total Cost of Goods Sold (COGS) of **$74.64/wmt** Free on Board (FOB), including royalties. (FY2013: $79.61/wmt)
- Average realised price (all products) of **$93/wmt** FOB. (FY2013: $97/wmt)
- Koolan Island unit cash mining costs guidance lowered to **$7-9/tonne** moved for FY2015.
- Shine Project development deferred to allow incorporation of updated geological data.
- FY2015 sales guidance of **6.6 to 7.0 million tonnes** at an average grade of ~61% Fe.

**The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is audited.*

Comment

Chief Executive Officer Jim Beyer said: "Once again, Mount Gibson's ongoing focus on cost reduction and business optimisation has delivered outstanding operating and financial results in volatile conditions which saw prices decline sharply in the second half of the year.

"This was a great performance on every measure. Sales revenue rose 5% to a record $898 million, on the back of a 10% lift in sales volume, underlying net profit rose by 27% to $117.7 million, and net operating cash flow rose by 32% to $238 million. Our cash balance consequently increased by $144 million over the year to a record $520 million at the end of June.

"These results were also achieved whilst ramping up production at our Koolan Island operation, concluding operations at our Tallering Peak mine in the Mid West after ten years, and expanding our exploration and potential development footprint in the Mid West.

"With costs and production at Koolan Island tracking in line with our guidance, rising delivered ore grades, and a strong balance sheet, Mount Gibson is well positioned to deliver continued strong performance and is well prepared for future volatility in iron ore prices and market conditions. We also retain the capacity to invest in value accretive growth opportunities that may emerge."

Results for 12 months ended 30 June 2014 compared with the prior corresponding 12 month period:		**12 months ended 30 June 2014**	**12 months ended 30 June 2013**
Ore tonnes mined	*wmt (mill)*	**7.9**	5.8
Ore tonnes sold	*wmt (mill)*	**9.7**	8.8
Average realised price, all products (FOB)	*A$/wmt sold*	**93**	97
Sales revenue	*$ mill*	**898.0**	852.9
Interest income	*$ mill*	**15.5**	11.9
Cost of goods sold	*$ mill*	**(724.2)**	(698.3)
Gross profit	*$ mill*	**189.3**	166.5
Admin and other expenses/income	*$ mill*	**(19.9)**	(30.8)
Finance costs	*$ mill*	**(5.7)**	(7.3)
Profit before tax	*$ mill*	**163.7**	128.4
Tax (expense)/benefit – income tax	*$ mill*	**(45.9)**	(35.6)
Underlying net profit after tax*	*$ mill*	**117.7**	92.9
Tax (expense)/benefit – non-cash MRRT	*$ mill*	**(21.3)**	64.5
Net profit after tax	*$ mill*	**96.4**	157.3

**The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is audited.*

Summary

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to announce an underlying net profit after tax of $117.7 million for the year ended 30 June 2014 on record sales revenue of $898.0 million[1] and record ore sales of 9.7 million wet metric tonnes (wmt).

The underlying net profit, which excludes a $21.3 million non-cash charge related to technical accounting requirements for the Mineral Resources Rent Tax (MRRT), represents an increase of 27% over the underlying net profit reported in the previous corresponding year. Including the MRRT accounting adjustment, headline reported net profit after tax totalled $96.4 million.

Net operating cash flow after tax rose by a third to $238.0 million, lifting cash and term deposits by $143.8 million to a period-end record of $519.8 million, equivalent to $0.48 per share. This cash balance was achieved after meeting substantial cash outlays during the year on income tax payments ($55.8 million), dividends ($21.8 million), the purchase of the Shine Hematite Project ($12.0 million), Koolan Island infrastructure and plant upgrades ($24.7 million), the purchase of haul trucks and other key mobile equipment ($17.0 million), and increased exploration activities ($4.5 million).

Mount Gibson's strong operational and financial performance was achieved despite significant weather related interruptions to ore production at Koolan Island in the March 2014 quarter, and was achieved whilst also successfully winding down and concluding mining operations at Tallering Peak where Ore Reserves were depleted after ten years of continuous production.

The strong result was also achieved in an environment of challenging market conditions. After remaining stable over the first half of the year, prices declined sharply in the second half. The decline reflected significant new mine supply, particularly of lower grade ores which resulted in steepening discounts for material averaging less than 58% Fe.

Mount Gibson is targeting full year ore sales of 6.6 to 7.0 million tonnes in the 2015 financial year, reflecting the closure of Tallering Peak.

Importantly, this decline will be partly offset by a significant increase in the Company's average delivered ore grade and quality going forward. Mount Gibson expects to achieve a blended average ore grade of ~61% Fe in the 2015 financial year, with Koolan Island sales averaging ~62% Fe and Extension Hill sales averaging ~60% Fe in an increasingly volatile market for lower grade iron products. This reflects the

[1] Final audited sales revenue, reflecting period-end adjustments.

successful conclusion of low grade ore sales from Tallering Peak in the 2014 financial year, and the scheduled conclusion of Rizhao Special Product (RSP) sales from Koolan Island in October 2014.

As indicated previously, Mount Gibson has reviewed the development schedule for the Shine Hematite Project in the context of current iron ore prices and currency exchange rates and the pending completion of updated Mineral Resource and Ore Reserve estimates incorporating results from substantial drilling undertaken in the June quarter.

Consequently, Mount Gibson considers it prudent to defer development of the Shine project. This will allow the Company to evaluate updated geological information and further optimise the development plan and schedule. The Shine project remains a valuable asset that provides the Company with substantial low-capital optionality to supplement production from Extension Hill, with a relatively short start-up time frame.

Realised pricing

During the 2014 financial year, the Platts CFR index price for delivery of iron ore fines grading 62% Fe to northern China averaged US$123 per dry metric tonne (dmt) compared with US$127/dmt in the previous year. However, prices fell sharply in the June half, during which the Platts 62% Fe CFR index price averaged US$111/dmt, and touched an 18 month low of US$89/dmt in June.

The vast majority of Mount Gibson's sales contracts are structured as Free on Board (FOB) sales arrangements where the sale occurs in the loading port rather than the delivery port, and the customer incurs the shipping costs. Mount Gibson's average realised FOB price for standard DSO fines product, net of adjustments for iron grade and impurities, was US$95/dmt in the year, compared with US$105/dmt the prior year.

The weighted average realised FOB price for all products sold was approximately $93 per wet metric tonne (wmt) for the year, compared with approximately $97/wmt in the 2013 financial year. The weighted average realised price reflected the Company's broader product mix during the year, which included almost 1.4 million wmt of low grade DSO (averaging ~53% Fe) from Tallering Peak, and 768,000 wmt of RSP from Koolan Island. Mount Gibson achieved an average realised price of US$55/dmt for low grade DSO from Tallering Peak during the financial year.

The widening discounts for ores grading below 58% Fe further highlights the value of higher quality products such as those produced by Mount Gibson. The Company notes that its sales of low grade ore from Tallering Peak occurred while a market window was open for such products and contributed substantially to cashflow during the year due to the modest cash cost of delivering this stockpiled material to market.

Cost performance and savings

Total Cost of Goods Sold (COGS), including royalties, were reduced by 6% to $74.64/wmt, compared with $79.61/wmt in the previous year, reflecting the Company's continued focus on cost reduction. COGS is a standard accounting term which includes cash and non-cash costs, comprising mining, depreciation of plant and equipment, amortisation of deferred waste stripping and mine development balances, crushing, transport, administration and state government royalties.

During the period, Mount Gibson further pursued cost reductions and improved operating efficiencies, particularly at Koolan Island, as production continued to ramp up to the targeted rate of 4 million tonnes of ore per annum by the end of calendar 2014.

The production ramp-up at Koolan Island remains on schedule and is delivering operational improvements in line with those anticipated when the program was announced in 2013, with unit cash mining (and site administration) costs averaging at the lower end of the guidance range of $8-10 per tonne moved for the year.

Mount Gibson continues to target further cost reductions and has revised guidance for unit cash mining costs at Koolan Island to within a range of $7-9 per tonne moved.

As previously indicated, the Koolan Island mobile fleet is scheduled for replacement over the next two years at a total cost in the order of $60 million, of which approximately $45 million will be incurred in the current financial year. The Company currently favours cash purchasing of equipment, but continues to evaluate this against potential lease financing alternatives. Mount Gibson anticipates that it will invest up to $30 million on fleet replacement in the September 2014 quarter.

COGS are anticipated to remain broadly similar in the 2015 financial year. Total non-cash depreciation and amortisation is expected to range between $23-26 per tonne of ore sold in the 2015 financial year.

Dividend

Mount Gibson has declared a fully franked cash dividend of 4.0 cents per share, with a record date of 30 September and payable on 15 October 2014. This is comparable with the 4.0 cents per share distributed in the previous year. The Company's Dividend Reinvestment Plan remains in suspension and will not apply to this dividend.

On distribution of the 2014 dividend, Mount Gibson will have returned approximately $174 million in dividends to shareholders since September 2011. The annual payout ratios since dividends commenced have been: 18% (2011), 27% (2012), 28% (2013) and 45% (2014) of net reported earnings respectively.

The Company will assess future dividend payments on a six monthly basis.

The Appendix 4E and annual financial statements are attached.

Mount Gibson will host an analysts/institutions teleconference at **10.00am AEST** on 20 August 2014. Investors will be able to listen in to the teleconference by dialing **1800 857 029** immediately prior to the scheduled start time and entering the access code **61492002#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

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APPENDIX 4E

MOUNT GIBSON IRON LIMITED
30 JUNE 2014 ANNUAL FINANCIAL STATEMENTS

This Full Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

20 August 2014

Current Reporting Period:	30 June 2014
Previous Corresponding Period:	30 June 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Up 5.6% to	$913.5
Profit from continuing operations before tax	Up 27.5% to	$163.7
Underlying net profit after tax[1] attributable to members of the Company	Up 26.7% to	$117.7
Net profit after tax attributable to members of the Company	Down 38.8% to	$96.4

DIVIDENDS

Mount Gibson Iron Limited has today declared a final dividend on ordinary shares in respect of the 2013/14 financial year of $0.04 per share fully franked. The dividend will be paid in cash as the Company's Dividend Reinvestment Plan remains in suspension.

The final dividend is in addition to the final fully franked dividend for the 2012/13 financial year of $0.02 per share which was paid in October 2013.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	2014	2013
Net tangible assets excluding Mine Properties	*A$ mill*	$606.3	$520.8
Fully paid ordinary shares on issue at Balance Date	*#*	1,090,584,232	1,090,584,232
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	55.6 cents	47.8 cents

DETAILS OF ENTITIES OVER WHICH CONTROL WAS GAINED OR LOST DURING THE PERIOD

None.

STATUS OF AUDIT

This full-year report is based on accounts that have been audited.

COMMENTARY

This report should be read in conjunction with the attached financial statements for the year ended 30 June 2014 together with any public announcements made by Mount Gibson Iron Limited during and after the year ended 30 June 2014 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

[1] Underlying net profit after tax excludes non-cash accounting adjustments related to the MRRT. The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is audited.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

Financial Report

For the year ended 30 June 2014

Directors' Report

Your Directors submit their report for the year ended 30 June 2014 for Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson**") and the consolidated entity incorporating the entities that it controlled during the financial year ("**Group**").

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Seng-Hui Lee LLB (Hons)
Chairman, Non-Executive Director

Mr Lee was appointed as a Non-Executive Director on 29 January 2010, Non-Executive Deputy Chairman on 14 December 2012, and Chairman on 18 February 2014. Mr Lee graduated with Honours from the University of Sydney Law School. Mr Lee is the Chief Executive and an Executive Director of Allied Group Limited and Allied Properties (HK) Limited both of which are listed on the Hong Kong Stock Exchange. He is also the Chairman and a Non-Executive Director of Tian An China Investments Company Limited and a Non-Executive Director of APAC Resources Limited, one of Mount Gibson's substantial shareholders. Mr Lee was previously a Non-Executive Director of Tanami Gold NL. During the past 3 years Mr Lee has not served as a director of any other listed companies.

Alan Jones CA
Independent Non-Executive Director

Mr Jones was appointed as an Independent Non-Executive Director on 28 July 2006 and is the current Chairman of the Nomination, Remuneration and Governance Committee. Mr Jones is a Chartered Accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Ltd, Sun Hung Kai & Co Ltd (Hong Kong), Allied Group Ltd (Hong Kong), Allied Properties Ltd (Hong Kong) and Air Change International Limited.

Shaofeng Li B.Automation
Non-Executive Director

Mr Li was appointed as a Non-Executive Director on 23 February 2012. Mr Li has extensive experience in the management of and investments in various listed companies, sino-foreign joint ventures and steel industry entities. He holds a bachelor degree in Automation from University of Science and Technology Beijing. He is the vice chairman and managing director of Shougang Holding (Hong Kong) Limited. Mr Li is an executive director and the managing director of Shougang Concord International Enterprises Company Limited, the chairman of each of Shougang Fushan Resources Group Limited, a substantial shareholder of Mount Gibson, Shougang Concord Century Holdings Limited, Shougang Concord Grand (Group) Limited and Global Digital Creations Holdings Limited, the non-executive chairman of Shougang Concord Technology Holdings Limited, and an executive director of Beijing West Industries International Limited, all of which are companies listed on the Hong Kong Stock Exchange. He is also a non-executive director of China Dynamics (Holdings) Limited (formerly known as Sinocop Resources (Holdings) Limited), a Hong Kong listed company.

Russell Barwick Dip.Mining Engineering, FAICD, FAIMM
Independent Non-Executive Director

Mr Barwick was appointed as an Independent Non-Executive Director on 16 November 2011 and is Chairman of the Operational, Risk and Sustainability Committee. Mr Barwick is a mining engineer with 40 years of technical, operational, managerial and corporate experience in international mining companies covering various commodities. He has worked for Bougainville Copper Limited (CRA), Pancontinental Mining Ltd (Jabiluka Uranium) and CSR Limited (coal). He has spent 17 years with Placer Dome Asia Pacific in key development, operational and corporate roles in numerous countries culminating in his appointment as Managing Director of Placer Niugini Ltd. He then served as Managing Director of Newcrest Mining Limited (2000 to 2001). For the four years to the end of 2006, Mr Barwick was the Chief Operating Officer of Wheaton River Minerals Ltd and Goldcorp Inc., based in Vancouver, Canada. He was subsequently the Chief Executive Officer of Canada-based Gammon Gold Inc. before returning to Australia in 2008. He is currently the Chairman of Red Metal Ltd.

Directors' Report (continued)

Simon Bird B.Acc.Science (Hons) FCPA, FAICD
Lead Independent Non-Executive Director

Mr Bird was appointed as an Independent Non-Executive Director on 23 February 2012. Mr Bird is the Lead Independent Director and Chairman of the Audit and Financial Risk Management Committee. Mr Bird has 27 years of international finance experience, including holding the positions of General Manager Finance for Stockland Ltd, Chief Financial Officer of GrainCorp Ltd for six years, and Chief Financial Officer of Wizard Mortgage Corp for two years. He was also until recently the CEO of ASX-listed King Island Scheelite Ltd which is developing the tungsten mines on King Island in Tasmania. Mr Bird is a Non-Executive Director and Chairman of the Audit Committee of Metals Finance Limited, the Chairman of Rawson Resources Limited and a former director of CPA Australia Limited and Kosciusko Alpine Club Limited.

Professor Paul Dougas B.Eng (Chem), M.Eng.Science, FAICD, CEng., Hon Fellow Engineers Australia
Independent Non-Executive Director

Professor Dougas was appointed as an Independent Non-Executive Director on 16 November 2011 and is Chairman of the Contracts Committee. He has 40 years of design, process, project engineering, managerial, commercial and corporate experience having commenced his career in the Melbourne & Metropolitan Board of Works before joining engineering firm Sinclair Knight Merz ("**SKM**") in 1978. From initial technical roles, he soon assumed leadership roles in Sydney before returning to Melbourne as Associate Director and Victorian Branch Manager in 1985. In 1995 he was appointed Managing Director Elect and Director of Marketing before becoming Chief Executive Officer and Managing Director in 1996. For the next 15 years, he led a significant expansion of SKM locally and internationally involving more than 50 local and international acquisitions. He also oversaw SKM's expansion into South-East Asia with the opening of offices in over 20 Asian locations including Shanghai and Hong Kong. During his leadership, SKM developed strong project alliances with major mining companies including BHP Billiton, Rio Tinto and Vale Metals Group. Professor Dougas was a Non-Executive Director of ConnectEast Ltd from 2009 until its takeover in September 2011 and was also on the SKM Board from 1990 until 2011. He is currently Chairman of the Global Carbon Capture and Storage Institute, Non-Executive Director of Epworth Healthcare and Non-Executive Director of Beacon Foundation.

Andrew Ferguson
Alternate Director to Lee Seng Hui

Mr Ferguson was appointed Alternate Director to Lee Seng Hui on 24 September 2012, replacing Mr Curry. Mr Ferguson is Chief Executive Officer and an Executive Director of APAC Resources Ltd, one of Mount Gibson's substantial shareholders. Mr Ferguson holds a Bachelor of Science Degree in Natural Resource Development and worked as a mining engineer in Western Australia in the mid 1990's. He has 14 years of experience in the finance industry specialising in global natural resources. In 2003, Mr Ferguson co-founded New City Investment Managers in the United Kingdom. He was the former co-fund manager of City Natural Resources High Yield Trust, and managed New City High Yield Trust Ltd and Geiger Counter Ltd. He has also worked as Chief Investment Officer for New City Investment Managers CQS Hong Kong. Mr Ferguson is currently a Non-Executive Director of Metals X Limited and ABM Resources NL, both of which are listed on the Australian Securities Exchange.

Geoffrey Hill B.Econ, MBA, FCPA, FCDA, FSIA
Independent Non-Executive Director

Mr Hill was appointed as an Independent Non-Executive Director on 20 May 2011 and Chairman on 24 August 2011. Mr Hill retired as a Director on 29 April 2014. Mr Hill is a company director and merchant banker. He served as Managing Director and Chief Executive Australia of the Morgan Grenfell group in the mid-1980s, before forming his own investment advisory business, International Pacific Securities. He is currently the chairman of Texas and Oklahoma Coal Company Limited and Metals Finance Limited, a director of Broken Hill Asian Property Investments Limited and is the executive chairman of International Pacific Securities Inc. During the past 3 years Mr Hill has also served as a director of Centrex Metals Limited, Hills Holdings Limited, Outback Metals Limited, Broken Hill Prospecting Limited and Heritage Gold Limited.

Zhouping Chen CPA
Non-Executive Director

Mr Chen was appointed as a Non-Executive Director on 19 January 2009. Mr Chen retired as a Director on 29 April 2014. Mr Chen is a graduate from the School of Economics and Management, Beijing Tsinghua University, and is a member of the Chinese Institute of Certified Public Accountants. He has extensive experience in the steel industry, engineering design, human resources and management. Mr Chen was appointed as Deputy Managing Director of Shougang Concord International Enterprises Company Limited ("**Shougang International**") in November 2002. He is also the Deputy Managing Director of Shougang Holding (Hong Kong) Limited ("**Shougang Holding**") and the Vice Chairman and Managing Director of Shougang Fushan Resources Group Limited formerly known as Fushan International Energy Group Limited (a Hong Kong listed company), a substantial shareholder of Mount Gibson. He is a

Directors' Report (continued)

director of a number of other companies of which Shougang Holding or Shougang International is the holding company. During the past 3 years Mr Chen has not served as a director of any other listed companies.

COMPANY SECRETARY

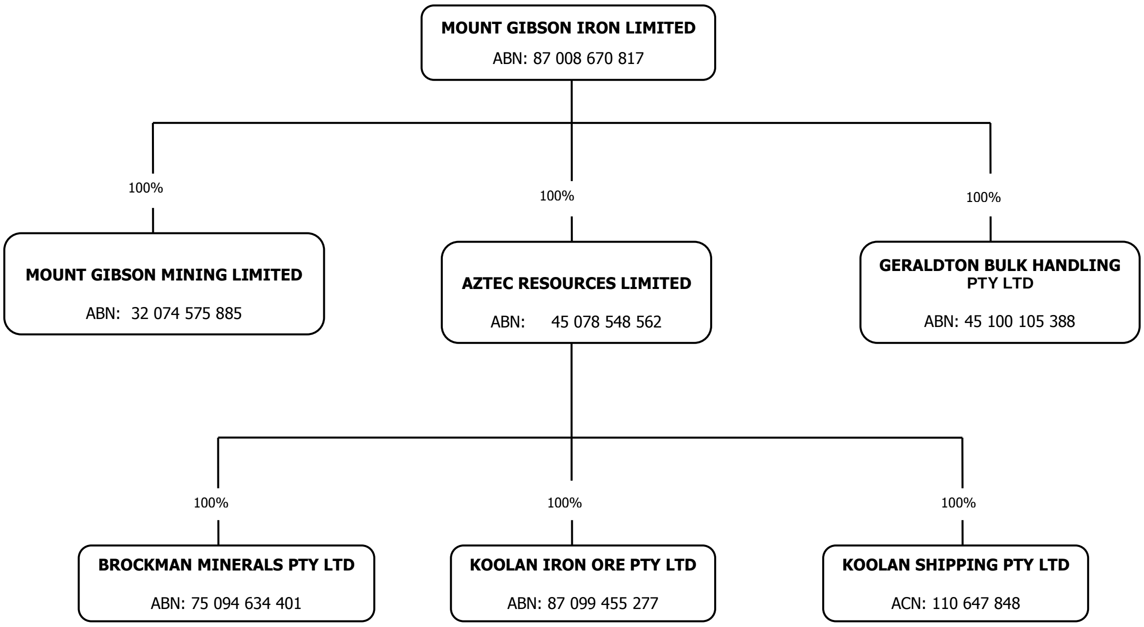
David Stokes B.Bus, LLB, ACIS
Company Secretary & General Counsel

Mr Stokes was appointed Company Secretary and General Counsel in April 2012. He is a corporate lawyer with a diverse range of mining and governance experience having worked at a corporate and operational level in the energy and resources sectors for over 15 years. Prior to joining Mount Gibson, Mr Stokes was General Counsel and Company Secretary at Gindalbie Metals Limited, Corporate Counsel for Iluka Resources Limited and Resolute Mining Limited, and has also worked in private practice for a number of years.

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The structure of the Group as at 30 June 2014 was as follows:



Nature of Operations and Principal Activities

The principal activities of the entities within the Group are:

- mining and shipment of hematite iron ore at Koolan Island in the Kimberley region of Western Australia;
- mining of hematite iron ore deposits at the Tallering Peak and Extension Hill mine sites in the Mid-West region of Western Australia and haulage of the ore via road and rail for sale from the Geraldton Port; and
- exploration and development of hematite iron ore deposits at Koolan Island and in the Mid-West region of Western Australia.

Employees

The Group employed 668 employees (excluding contractors) as at 30 June 2014 (2013: 599 employees).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2013/14 Operating and Financial Review which has been prepared to provide shareholders with a clear and concise overview of Mount Gibson's operations, financial position, business strategies and prospects. This review also provides a summary of the impact of key events which occurred in 2013/14 and the material business risks so that shareholders can make an informed assessment of the results and prospects of the Group.

The review complements Mount Gibson's financial statements for the year ended 30 June 2014 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission ("**ASIC**").

Overview of the 2013/14 Financial Year

Mount Gibson delivered a strong operational and financial performance in the 2013/14 year, amid challenging and volatile market conditions, particularly in the second half of the year.

Group ore sales totalled a record 9.7 million wet metric tonnes ("**wmt**") during the financial year, an increase of 11% over the prior record achieved in the preceding year.

Total sales revenue rose 4% to a record $890 million, while year-end cash reserves, including term deposits, increased by $144 million to $520 million at 30 June 2014.

The company's Mid-West operations achieved record combined sales totalling 6.0 million wmt, reflecting better than forecast ore sales from Tallering Peak in its final year of operation, and record sales from Extension Hill. Sales from Koolan Island also increased approximately 7% to 3.7 million wmt, which included the sale of 768,000 wmt of Rizhao Special Product ("**RSP**"). Material movement at Koolan Island increased in line with the planned ramp up to achieve ore production at a rate of 4 million tonnes per annum by the end of calendar 2014.

The improved sales volumes were offset by a significant decline in the average iron ore price in the second half of the year, primarily due to a substantial increase in mine supply, notably from the Pilbara. Mount Gibson's broader product mix for the year, which included almost 1.4 million wmt of low grade Direct Shipping Ore ("**DSO**") from Tallering Peak, also offset the increase in total sales volumes.

After averaging US$134 per dry metric tonne ("**dmt**") for the first half of the year, the benchmark Platts CFR price for 62% Fe fines fell sharply in the second half, touching a two year low of US$89/dmt in June 2014 and averaged US$111/dmt for the six month period. Over the full year, the Platts CFR price averaged US$123/dmt, compared with US$127/dmt in the preceding year.

Mount Gibson achieved an average realised price for standard DSO fines for the year of US$95/dmt Free On Board ("**FOB**"), after penalties and excluding sales of RSP and low grade ore from Tallering Peak. This compared with an average of US$105/dmt in 2012/13. Mount Gibson achieved an average realised FOB price for low grade DSO products from Tallering Peak of US$55/dmt for 2013/14, after a sharp decline in prices for lower grade ores generally in the second half of the year.

Despite this decline, the sale of stockpiled low grade ore from Tallering Peak while a market window existed for such material contributed significantly to total cash flow for the year, reflecting the comparatively lower cash cost of delivering material from existing stockpiles to market.

The completion of low grade sales from Tallering Peak, and the scheduled completion of RSP shipments from Koolan Island in October 2014, will significantly increase the average delivered grade of Mount Gibson ore products going forward, with the average sales grade for all products projected to average circa 61% Fe in the 2014/15 financial year. The improved grade and quality of Mount Gibson's products differentiate the Company from its peer producers amid a soft outlook for lower grade products.

During the year, the Company continued to focus on cost reductions and business optimisation through various initiatives, including replacement and removal of hired equipment, re-tendering and renegotiation of key supplier contracts, and centralisation of mining and site support services. This ongoing cost-reduction focus is central to Mount Gibson's approach to maximising cash flow and profitability in a volatile commodities market.

The 2013/14 year was also marked by several key operational milestones. In February 2014, the Company celebrated the tenth anniversary of sales from Tallering Peak, and 20 million tonnes of sales from Koolan Island following the mine's re-opening in 2007. In April 2014, the Company celebrated the export of its 50 millionth tonne of iron ore.

Operating Results for the Financial Year

For the year ended 30 June 2014, Mount Gibson achieved a net profit before tax of $163,698,000 and, after recording a normal tax expense of $45,994,000 and an additional non-cash tax expense of $21,351,000 related to the Australian Minerals and Resource Rent Tax (MRRT), a net profit after tax of $96,353,000.

	Year ended:	30 June 2014	30 June 2013	Restated* 30 June 2012	30 June 2011	30 June 2010
Net profit before tax	*$'000*	**163,698**	**128,440**	**224,621**	**342,888**	**188,308**
Taxation benefit/(expense)	*$'000*	(67,345)	28,902	(62,605)	(103,388)	(55,913)
Net profit after tax	*$'000*	**96,353**	**157,342**	**162,016**	**239,500**	**132,395**
Earnings per share	*$/share*	0.0884	0.1445	0.1496	0.2214	0.1230

* Restated to reflect adjustments made on the adoption of AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. In accordance with the transitional provisions of the Interpretation, amounts in prior years were not restated.

Consolidated quarterly operating and sales statistics for the 2013/14 financial year are tabulated below:

		Sept Qtr 2013	Dec Qtr 2013	Mar Qtr 2014	Jun Qtr 2014	2013/14	*2012/13*
Mining & Crushing							
Total waste mined	*kwmt*	7,448	7,041	8,987	7,389	**30,863**	*22,321*
Total ore mined#	*kwmt*	2,155	1,691	1,874	2,207	**7,927**	*5,808*
Total ore crushed	*kwmt*	2,413	2,059	1,780	2,744	**8,996**	*7,658*
Shipping/Sales*							
Standard DSO Lump**	*kwmt*	1,160	1,001	581	824	**3,567**	*3,963*
Standard DSO Fines	*kwmt*	989	1,045	811	1,148	**3,992**	*3,869*
Low Grade DSO**	*kwmt*	234	245	417	481	**1,377**	*230*
RSP	*kwmt*	206	202	212	148	**768**	*709*
Total	*kwmt*	2,588	2,493	2,021	2,600	**9,703**	*8,771*
Ave. Platts 62%Fe CFR price	*US$/dmt*	133	135	120	103	**123**	*127*
MGX FOB Ave. realised fines price^	*US$/dmt*	102	103	95	83	**95**	*105*
MGX FOB Ave. realised Low Grade price^^	*US$/dmt*	68	69	62	34	**55**	*66*

kwmt = thousand wet metric tonnes

* Includes mine gate sales totalling 118kwmt of DSO lump and 42kwmt of DSO fines in the September 2013 quarter, and 121kmwt of DSO lump and 17kwmt of DSO fines in the June 2014 quarter.

** DSO Lump Sales were previously reported inclusive of lower grade lump ore sales from Tallering Peak. DSO sales are now reported as Standard Lump, Standard Fines and Low Grade DSO.

\# Includes low-grade ore at Extension Hill with grading 50-55% Fe that is considered to be saleable. This material is being stockpiled for future sale but continues to be treated as waste for accounting purposes.

^ Reflects the realised fines price for standard DSO fines ore only, after adjustments for shipping freight, grade and penalties for impurities. Contract pricing in the year was based on a mix of lagging-monthly and month-of-shipment averages. Mine gate sales are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.

^^ Reflects the realised FOB Low Grade price for lower grade DSO sales only, excluding Rizhao Special Product from Koolan Island, and is reported after adjustments for shipping freight, grade and penalties for impurities.

Minor discrepancies may appear due to rounding.

Directors' Report (continued)

Koolan Island

The Koolan Island iron ore mine is located on Koolan Island in the Buccaneer Archipelago of Yampi Sound in the Kimberley region of Western Australia. The mine was originally opened by BHP in 1965 and operated until 1993. Mount Gibson acquired and reopened the mine in 2007.

The 2013/14 year was one of significant improvement at Koolan Island, reflecting the staged ramp up in ore production to a targeted 4 million tonnes per annum by the end of calendar 2014.

Total ore sales increased 7% to 3.7 million wmt, including 768,000 tonnes of RSP. Total waste movement increased 89% to 25.2 million wmt, while total ore production increased 53% to 2.8 million wmt, in accordance with the staged ramp up in activity levels. Crushing volumes increased by 34% to 3.7 million wmt, inclusive of RSP. Sales of RSP are scheduled to conclude in October 2014.

The increase in sales and total material movement was achieved despite seasonal disruptions in the March 2014 quarter caused by extreme wet weather. These interruptions prevented access to the ore zone in Main Pit for most of the March 2014 quarter, although ore mining in Acacia East satellite pit was unaffected, and waste mining in Main Pit was accelerated during this period. Ore production rates returned to planned levels in the June 2014 quarter.

The overall increase in activity levels, and the Company's ongoing focus on cost reduction, delivered significantly improved productivity levels during the year. Consequently, average cash unit mining and administration costs for the year were at the lower end of the guidance range of $8-10 per tonne moved. Mount Gibson expects unit cash mining and administration costs to remain at the lower end of guidance as mining volumes increase in line with the ramp-up schedule, and further cost reductions are being targeted.

Cost performance in 2013/14 also reflected a number of efficiency initiatives, including the relocation and centralisation of mine administration functions, vehicle maintenance and stores to the new Mine Operations Centre, which became fully operational in the June 2014 quarter.

Cost performance also benefited from the purchase of three haul trucks and ancillary mining equipment in December 2013 to improve fleet availability. The Company continues to evaluate cash purchasing against lease financing of equipment as it progressively replaces the Koolan Island mining fleet over the next two years.

As at 30 June 2014, crushed DSO stockpiles at Koolan Island totalled approximately 158,000 wmt, and uncrushed DSO stockpiles totalled 138,000 wmt.

PRODUCTION SUMMARY	UNIT	SEPT QTR 2013 '000	DEC QTR 2013 '000	MAR QTR 2014 '000	JUN QTR 2014 '000	YEAR 2013/14 '000	YEAR 2012/13 '000	% INCR/ (DECR)
Mining								
- Waste mined	*wmt*	6,089	5,436	7,335	6,321	**25,181**	**13,330**	*89*
- Ore mined	*wmt*	863	665	446	874	**2,848**	**1,856**	*53*
Crushing								
- Lump	*wmt*	233	189	119	251	**792**	**683**	*16*
- Fines	*wmt*	520	431	173	592	**1,716**	**1,252**	*37*
- RSP*	*wmt*	353	295	176	414	**1,238**	**851**	*45*
		1,106	**915**	**468**	**1,257**	**3,746**	**2,787**	*34*
Shipping								
- Lump	*wmt*	220	221	-	220	**661**	**945**	*(30)*
- Fines	*wmt*	650	508	281	835	**2,274**	**1,807**	*26*
- RSP*	*wmt*	206	202	212	148	**768**	**709**	*8*
		1,076	**931**	**493**	**1,203**	**3,702**	**3,461**	*7*

* Rizhao Special Product ("RSP"). Minor discrepancies may appear due to rounding.

In accordance with the Company's stated accounting policy, deferred waste expenditure for the period has been capitalised in the Group's balance sheet and will be amortised on a units of production basis. Expenditure on waste development at Koolan Island during the financial year was as follows:

		12 Months ended 30 June 2014	**12 Months ended 30 June 2013**
Waste mined	*mill bcm*	9.49	5.43
Waste mined	*mill wmt*	25.18	13.33
Ore mined	*mill bcm*	0.74	0.48
Ore mined	*mill wmt*	2.85	1.86
Deferred waste capitalised	*$ mill*	151.03	97.10
Amortisation of deferred waste	*$ mill*	76.02	46.15

Directors' Report (continued)

Tallering Peak

The Tallering Peak mine is located approximately 130km north east of Geraldton in the Mid-West region of Western Australia. Ore is mined, crushed and screened on-site, transported by sealed road 65km to Mullewa, where it is loaded onto rail wagons and railed approximately 110km to the Geraldton Port.

Tallering Peak delivered an outstanding performance in its tenth and final year of operation in 2013/14.

Ore sales for the year totaled almost 3.0 million wmt, compared with the forecast of 2.5 million wmt, reflecting better than expected production volumes from both the T6 pit and T1 satellite deposit. Total ore production totalled 2.2 million wmt.

Sales of standard DSO totalled 1.6 million wmt, while sales of low grade ore totalled 1.4 million wmt, mostly from stockpiles. Operations in the T6 pit were extended until March 2014, while all mining ceased at the end of May when the T1 satellite pit was completed.

At the same time as delivering better than expected sales volumes, the mine also achieved a reduction in unit costs despite a 23% reduction in total material movement and passed a record 622 consecutive days without a Lost Time Injury at 30 June 2014.

At the end of the financial year, three final shipments of standard product were scheduled to be completed, while all sales of low grade material had been concluded. Further sales of remnant low grade material from the site remain dependent on market conditions.

As stated, while prices for low grade ores declined sharply in the second half of the year, the sale of stockpiled low grade ore from Tallering Peak while a market window existed for such material contributed significantly to total cash flow for the year, reflecting the comparatively lower cash cost of delivering material from existing stockpiles to market.

The Company's primary focus is now on the safe implementation of the approved Mine Closure Plan. Closure is scheduled to occur in late September, although rehabilitation works will continue over the next 12 months.

The Tallering Peak workforce has been progressively reducing over the last year in step with activity levels, with most remaining employees expected to depart by the end of September 2014.

Mount Gibson is extremely proud of the Tallering Peak workforce's dedication and effort in the mine's final year and of the significant contribution made by the operation to the Mid-West and State economies over its ten year life.[1]

PRODUCTION SUMMARY	UNIT	SEPT QTR 2013 '000	DEC QTR 2013 '000	MAR QTR 2014 '000	JUN QTR 2014 '000	YEAR 2013/14 '000	YEAR 2012/13 '000	% INCR/ (DECR)
Mining								
- Waste mined	*wmt*	1,000	1,137	1,328	545	**4,009**	**6,115**	*(34)*
- Ore mined	*wmt*	605	484	661	412	**2,162**	**2,146**	*1*
Crushing								
- Lump	*wmt*	374	346	361	356	**1,437**	**1,509**	*(5)*
- Fines	*wmt*	214	225	298	342	**1,079**	**895**	*21*
		588	**571**	**659**	**698**	**2,516**	**2,404**	*5*
Transported to Mullewa Railhead								
- Lump	*wmt*	383	337	399	257	**1,376**	**1,472**	*(7)*
- Fines	*wmt*	200	276	195	170	**841**	**826**	*2*
		583	**613**	**594**	**427**	**2,217**	**2,298**	*(4)*
Transported to Geraldton Port								
- Lump	*wmt*	583	598	571	435	**2,187**	**1,631**	*34*
- Fines	*wmt*	202	185	167	68	**622**	**882**	*(29)*
		785	**783**	**738**	**503**	**2,809**	**2,513**	*12*
Shipping								
- Standard DSO Lump	*wmt*	348	411	227	-	**986**	**1,477**	*(33)*
- Standard DSO Fines	*wmt*	182	239	176	-	**597**	**842**	*(29)*
- Low Grade DSO	*wmt*	234	245	417	481	**1,377**	**230**	*499*
		764	**895**	**820**	**481**	**2,960**	**2,550**	*16*

Minor discrepancies may appear due to rounding.

[1] Refer MGX media release dated 29 February 2014, available at www.mtgibsoniron.com.au

Directors' Report (continued)

In accordance with the Company's stated accounting policy, deferred waste expenditure for the period was capitalised in the Group's balance sheet and amortised on a units of production basis. Expenditure on waste development at Tallering Peak during the financial year was as follows:

		12 Months ended 30 June 2014	12 Months ended 30 June 2013
Waste mined	*mill bcm*	1.36	2.04
Waste mined	*mill wmt*	4.01	6.12
Ore mined	*mill bcm*	0.55	0.52
Ore mined	*mill wmt*	2.16	2.15
Deferred waste capitalised	*$ mill*	1.10	3.81
Amortisation of deferred waste	*$ mill*	13.67	51.39

Extension Hill

The Extension Hill mine is located in the Mount Gibson Ranges, 85km east of Perenjori and 260km east south east of Geraldton in the Mid-West region of Western Australia. The project has similar operational characteristics to Tallering Peak, with ore mined, crushed and screened on-site, transported by sealed road 85km to Perenjori, where it is loaded onto rail wagons and railed 240km to the Geraldton Port. Mining commenced at Extension Hill in the 2011/12 financial year.

The Extension Hill mine performed strongly in 2013/14, reflecting steady operations and opportunistic mine-gate sales that allowed utilisation of available third party rail capacity in excess of the Company's allocated train paths from the Perenjori rail siding.

Total ore sales increased 7% to a record 3.0 million wmt, including 298,000 wmt of mine gate sales, while total material movement was consistent with the preceding year at 4.6 million wmt. Sales of lump ore totalled 1.9 million wmt, while sales of fines totalled 1.1 million tonnes.

Mine gate sales were priced on a Free on Train basis, reflecting the prevailing market price less rail, port and shipping costs (which are incurred by the purchaser). These sales delivered Mount Gibson a cash margin comparable to conventional DSO shipments from the Geraldton Port.

During the year, the Company also successfully concluded the planned drawdown and sale of standard DSO product in stockpiles which were built up in the previous year due to infrastructure constraints. At the start of 2013/14, these stockpiles contained over 900,000 wmt of standard product. A further 1.8 million wmt of uncrushed low grade material was also stockpiled at the mine.

As at 30 June 2014, approximately 132,000 wmt of crushed standard product were stockpiled at the mine. Uncrushed standard product stockpiled at the mine totalled approximately 129,000 wmt. Mine-site stockpiles of uncrushed lower grade material totaled 2.2 million wmt. Crushed standard product stockpiled at the Perenjori rail siding totalled approximately 16,000 wmt.

Directors' Report (continued)

PRODUCTION SUMMARY	UNIT	SEPT QTR 2013 '000	DEC QTR 2013 '000	MAR QTR 2014 '000	JUN QTR 2014 '000	YEAR 2013/14 '000	YEAR 2012/13 '000	% INCR/ (DECR)
Mining								
- Waste mined*	*wmt*	360	467	323	522	**1,673**	**2,149**	*(22)*
- Standard Ore mined	*wmt*	552	385	600	711	**2,248**	**1,805**	*25*
- Low Grade Ore mined*	*wmt*	136	156	167	210	**669**	**727**	*(8)*
- Total Ore Mined	*wmt*	**688**	**541**	**767**	**921**	**2,917**	**2,532**	*15*
Crushing								
- Lump	*wmt*	406	330	378	459	**1,573**	**1,420**	*11*
- Fines	*wmt*	313	243	276	330	**1,162**	**1,047**	*11*
		719	**573**	**654**	**789**	**2,735**	**2,467**	*11*
Transported to Perenjori Railhead								
- Lump	*wmt*	428	355	313	539	**1,635**	**1,359**	*20*
- Fines	*wmt*	229	301	309	265	**1,104**	**1,056**	*5*
		657	**656**	**622**	**804**	**2,739**	**2,415**	*13*
Transported to Geraldton Port								
- Lump (Rail)	*wmt*	515	297	347	484	**1,643**	**1,515**	*8*
- Fines (Rail)	*wmt*	136	343	301	314	**1,094**	**1,056**	*4*
		651	**640**	**648**	**798**	**2,737**	**2,571**	*6*
Shipping								
- Lump	*wmt*	474	370	354	482	**1,680**	**1,498**	*12*
- Fines	*wmt*	115	297	355	296	**1,063**	**1,085**	*(2)*
		589	**667**	**709**	**778**	**2,743**	**2,583**	*6*
Mine Gate Sales								
- Lump	*wmt*	118	-	-	121	**239**	**42**	*469*
- Fines	*wmt*	42	-	-	17	**59**	**134**	*(56)*
		160	**-**	**-**	**138**	**298**	**176**	*69*

* Waste mined was previously reported inclusive of low grade ore, which is now reported separately as Low Grade ore mined. Low grade ore is material grading 50-55% Fe considered to be saleable. This material is being stockpiled for future sale but continues to be treated as waste for accounting purposes.

Minor discrepancies may appear due to rounding.

Expenditure on waste development at Extension Hill during the financial year was as follows:

		12 Months ended 30 June 2014	12 Months ended 30 June 2013
Waste mined	*mill bcm*	0.92	1.15
Waste mined	*mill wmt*	2.34	2.88
Ore mined	*mill bcm*	0.78	0.62
Ore mined	*mill wmt*	2.25	1.81
Deferred waste capitalised	*$ mill*	-	-
Amortisation of deferred waste	*$ mill*	-	-

Directors' Report (continued)

EXPLORATION AND DEVELOPMENT

Mineral Resources and Ore Reserves

On 9 October 2013, Mount Gibson released its annual statement of Mineral Resources and Ore Reserves as at 30 June 2013. Total Group Mineral Resources were estimated at 88.6 million tonnes grading 61.9% Fe, and total Group Ore Reserves were estimated at 45.2 million tonnes grading 62.1% Fe. This compares with Group Ore Reserves at 30 June 2012 of 44.3 million tonnes grading 62.6% Fe. Supplementary information regarding Mineral Resources and Ore Reserves was announced on 21 October 2013.

Acquisition of advanced Shine hematite project

On 9 December 2013, Mount Gibson announced an agreement to acquire the Shine hematite project from Gindalbie Metals Ltd (Gindalbie) for $12 million up-front plus a price participation royalty of which $3 million will be prepaid upon first ore shipments. The acquisition is consistent with Mount Gibson's strategy to grow its exploration and mining footprint around its existing Mid-West iron ore operations and transport infrastructure.

Shine is located approximately 250km east of Geraldton, and 85km north-north-west of Mount Gibson's operating Extension Hill mine. The project is well advanced in terms of feasibility evaluation, mine planning and permitting.

On 7 March 2014, Mount Gibson announced it had completed the acquisition and had reviewed technical work previously completed for the Project. Consequently, the Company announced an updated Hematite Mineral Resource Estimate of 7.8 Million tonnes (Mt) at an average grade of 59.0% Fe, applying a more optimal cut-off grade of 55% Fe.

Based on the existing Gindalbie data, a maiden Ore Reserve was declared totalling 5.6 Mt grading 59.3% Fe, using a cut-off grade of 55% Fe. In addition to this Ore Reserve Estimate, a further 0.8 Mt of Inferred Resource grading 57.9% Fe is contained within the pit shell. This Inferred material, totalling 13% of the mineralised inventory of the pit, was not included in the project economic assessment.

The technical work completed on the project supports a target DSO production rate of approximately 1.6 million tonnes per annum, with an indicative capital development cost of $9–11 million and indicative total cash operating costs of approximately $75 per tonne of ore sold FOB.

Mount Gibson subsequently commenced further optimisation studies as part of its development planning for the Shine Project. In June 2014, the Shine Project Management Plan received State government approval and a 76 hole programme of RC drilling was completed to further increase confidence in the Shine Mineral Resource and Ore Reserve. Discussions also advanced with relevant parties in regard to potential alternative transport arrangements with the potential to lower total operating costs.

Mount Gibson has reviewed the development schedule for the Shine Hematite Project in the context of current iron ore prices and currency exchange rates and the pending completion of updated Mineral Resource and Ore Reserve estimates incorporating results from substantial drilling undertaken in the June quarter. Consequently, Mount Gibson considers it prudent to defer development of the Shine project. This will allow the Company to evaluate updated geological information and further optimise the development plan and schedule. The Shine project remains a valuable asset that provides the Company with substantial low-capital optionality to supplement production from Extension Hill, with a relatively short start-up time frame.

Koolan Island

Mapping and rock chip sampling were conducted over a number of iron-prospective targets on the West End of Koolan Island in the half-year. Significant hematite mineralisation and iron rich sandstone units were mapped and correlated with drill intercepts from a 2011 drill program. Mount Gibson is now planning for a drill program to be undertaken, subject to relevant approvals, in the September 2014 quarter.

Extension Hill South

Based on detailed reviews of past exploration data from the area immediately south of the Extension Hill open pit mine, Mount Gibson considers the Extension Hill South area to have the most exciting near-mine exploration potential for iron ore in the Mid-West. Drilling commenced at the Iron Hill prospect within the Extension Hill South area in early December 2013, with results announced to the market on 13 February 2014. Significant intercepts were recorded in a number of holes, enabling the establishment of an Exploration Target of 5-7 Mt grading 58-61% Fe in accordance with the JORC 2012 Code.

Regulatory approval was received in late May to drill 4 diamond core holes at Iron Hill, which commenced in July. Applications for a second round of RC drilling, comprising 72 holes, were lodged in the June 2014 quarter. Pending approvals, this programme is anticipated to commence by the end of 2014.

Fields Find

The Fields Find project area is located 60 kilometres north of the Company's Extension Hill mine. The 250 sqkm tenement package includes the Plateau iron prospect, an iron-enriched ultramafic laterite occurrence, where iron intercepts were recorded in very limited drilling by a previous operator.

Directors' Report (continued)

An initial reverse circulation (RC) drilling program was completed at Plateau during the October 2013, the results of which were announced to the ASX on 21 January 2014. A total of 114 significant intersections grading in excess of 50% Fe were returned, with significant intercepts in 104 individual holes, representing 46% of all holes completed. This represents a high success rate for a greenfields exploration program and covers only approximately 5% of the prospect area.

The results confirmed Mount Gibson's conceptual geological model for the Plateau target, and also indicated better than anticipated continuity of mineralisation. Beneficiation testwork in the June 2015 quarter returned encouraging initial results, confirming the potential to beneficiate some material to approximately 58% Fe, and supporting further testing. A second round of RC drilling commenced in late June 2014, totalling 250 holes for 4,000 metres, to expand on previously drilled mineralised zones.

CORPORATE

Minerals Resource Rent Tax (MRRT)

Although the MRRT legislation is undergoing the process of repeal in the Australian Parliament, as at the date of these full-year financials, the MRRT legislation remains in force and must therefore be properly accounted for. Based on internal modelling, Mount Gibson does not expect to pay any MRRT over the life of its current operating mines. It is expected that Mount Gibson will utilise a portion of its MRRT starting base allowances to offset any MRRT which might otherwise arise and, accordingly, a deferred tax asset has been recorded on the Company's balance sheet to reflect the starting base allowances that are expected to be utilised.

Mount Gibson's accounting treatment relating to MRRT remains dependent on future iron ore prices, foreign exchange rates and operating costs. It is expected that upon formal repeal of the MRRT legislation, Mount Gibson will write-off the carrying value of its MRRT deferred tax asset as a non-cash expense in its income statement. As at 30 June 2014, Mount Gibson had recorded a MRRT deferred tax asset of $46 million.

Income Tax

Mount Gibson has in prior years had the benefit of a private ruling regarding taxation arrangements for the treatment of provisional invoices for the sale of iron ore. These arrangements ended on 30 June 2012. Accordingly, revenue which was deferred for tax purposes from the 2011/12 financial year, along with all provisional sales revenues incurred in 2012/13 (which under the private ruling would have otherwise been deferrable), was assessed in the 2012/13 financial year and paid in the 2013/14 financial year. Of the $55.8 million income tax paid in the 2013/14 year, $22.9 million related to the 2012/13 financial year and the balance of $32.9 million represented instalments for the 2013/14 financial year.

Partial Recovery of Historic Arbitration Award

Hong Kong-based Pioneer Iron & Steel Group Company Limited ("**Pioneer**") was a Mount Gibson iron ore customer which defaulted on iron ore purchase obligations during the 2008 global financial crisis. Through subsequent arbitration in Australia, Mount Gibson was awarded US$23.1 million plus costs and interest as damages, and Mount Gibson registered this arbitration award in the Hong Kong courts. Separately, Pioneer was placed into liquidation in Hong Kong and the liquidator subsequently admitted the total claim for US$23.9 million. During the year the liquidators reached a settlement arrangement with, amongst others, the shareholder of Pioneer, enabling Mount Gibson to receive an interim distribution of $8.05 million. Should amounts in excess of the interim distribution ultimately be paid to Mount Gibson from the Pioneer liquidation, such excess would be recorded at the time, as appropriate. No determination has been made by the liquidator as to the final distribution payment to be made but it is expected that the interim distribution reflected the majority of the overall final payment amount that may be made to creditors.

Board Changes

On 19 February 2014, Mount Gibson announced the appointment of Mr Lee Seng Hui as Chairman, succeeding Mr Geoff Hill, pending Mr Hill's stated intention to retire as an independent director later in 2014. Mr Lee was previously Deputy Chairman, and is considered to be a non-independent director because he is a representative of Mount Gibson's major shareholder, APAC Resources Limited. To maintain a strong corporate governance structure, consistent with ASX guidelines, Mr Simon Bird was appointed Lead Independent Director. Mr Bird has been an independent director of Mount Gibson since February 2012 and is Chairman of the Audit and Financial Risk Committee.

On 30 April 2014, Mount Gibson announced further changes to simplify its Board structure and reduce the number of Board representatives from the Company's major shareholders from three to two, and the total number of Directors from eight to six. To effect these changes, Mr Chen Zhouping, a representative of major shareholder Shougang Fushan Resources Group, agreed to step down as a Non-Executive Director, while Independent Non-Executive Director Mr Geoffrey Hill brought forward his previously announced retirement. The Company again thanks Mr Chen and Mr Hill for their contributions.

Directors' Report (continued)

Financial Position

During the course of the financial year, the Group's mining operations performed well in a volatile iron ore price environment. Cashflows from operating activities totalled $237,963,000, a significant improvement on the prior financial year operating cashflows of $179,652,000, driven predominantly by increased sales volumes.

At 30 June 2014, the Group's cash and term deposit balances totalled $519,771,000, an increase of $143,753,000 from the prior year's closing balance of $376,018,000. This increase was achieved after the payment of $21,812,000 in cash dividends, $55,819,000 in income taxes and $19,605,000 in the repayment of lease liabilities and other borrowings.

Accordingly, as at 30 June 2014, Mount Gibson had a robust working capital position with limited borrowings in the form of equipment lease and hire purchase liabilities totalling $9,456,000.

As at the date of this report, the Group has sufficient funds as well as access to further equity and debt funding to operate and sell iron ore from the Koolan Island, Tallering Peak and Extension Hill mines, and to advance its exploration and growth objectives.

Likely Developments and Expected Results

Mount Gibson's overall objective is to maintain and grow long-term profitability through the discovery, development, operation and acquisition of mineral resources. As an established producer and seller of hematite iron ore, Mount Gibson's strategy is to maintain and grow its profile as a successful and profitable supplier of raw materials to the global carbon steels sector.

Mount Gibson's strategic priority is to operate its existing mines in a responsible manner in order to generate maximum cashflows from each operation. Mount Gibson Management continues to make changes to the Group's various operations and supplier arrangements in order to drive cashflows and ensure the Company can perform well in volatile commodity and foreign exchange markets. Following the closure of the Tallering Peak operation, for the coming 2014/15 financial year Mount Gibson expects its annual sales to be between 6.6 and 7.0 million wmt of iron ore.

Key influences on the success of Mount Gibson are not only iron ore and foreign exchange prices but also consistency in government policy, the continued attainment of regulatory approvals, the ability to delineate new mineral resources and ore reserves, and the continued control of operating and capital costs. Looking forward, a key focus of the Mount Gibson management team is therefore continued reductions in unit operating costs and the pursuit of improved productivities and production efficiencies across its operating mine sites. In addition, priority has been placed on the search for other mineral resources which would provide low capital mine life extensions for its mines, in particular the Extension Hill operation.

Mount Gibson has a growth ambition in the mining sector. The Board and management team continuously assesses possible acquisition opportunities for assets which would grow the Company's production and extend its cashflow profile beyond the life of its current mining operations. Mount Gibson is particularly focused on low capital intensity projects, preferably within Australia or comparable political risk regions, which are of an affordable size to acquire and develop, as appropriate. Potential acquisition opportunities are assessed against a base case scenario of Mount Gibson continuing to operate its existing mines well and generate optimal investment returns.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 19 August 2014, the Company declared a final dividend on ordinary shares in respect of the 2013/14 financial year of $0.04 per share fully franked. The total amount of the dividend is $43,632,203. The dividend has not been provided for in the 30 June 2014 financial statements.

Apart from the above, as at the date of this report there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

Directors' Report (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The Company has, during current or previous financial periods, entered into deeds of access and indemnity with certain Directors. These deeds provide access to documentation and indemnification against liability for loss suffered, as a result of any act or omission, to the extent permitted by the *Corporations Act 2001*, from conduct of the Group's business.

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has agreed to indemnify its auditors, Ernst & Young, to the fullest extent possible as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

SHARE OPTIONS

Unissued shares

There are no Options over Ordinary Shares in the Company on issue as at balance date and at the date of this report.

Shares issued as a result of the exercise of options

There were no options exercised or forfeited during the financial year or to the date of this report.

DIVIDENDS

During the financial year, dividends of $21,811,685 (2013: $43,526,253) were paid as follows:

- A final dividend of 2 cents per share fully franked in respect of the 2012/13 financial year was paid in cash totaling $21,811,685.

A final dividend of 4.0 cents fully franked has been declared for the year ended 30 June 2014. Refer "Significant Events After Balance Date" above.

With the declaration of this final dividend for the 2013/14 financial year, Mount Gibson has now paid $173.9 million in dividends since its maiden dividend in September 2011.

DIRECTORS INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the Shares and Options of the Company were:

	Ordinary Shares	Options over Shares	Performance Rights over Shares
Lee SH	-	-	-
A Jones	100,000	-	-
Li S	-	-	-
R Barwick	-	-	-
S Bird	20,000	-	-
P Dougas	103,866	-	-
A Ferguson	-	-	-
G Hill	170,000	-	-
Chen Z	-	-	-

Directors' Report (continued)

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings	Audit and Risk Management Committee Meetings	Nomination, Remuneration and Governance Committee	Operational Risk and Sustainability Committee	Contracts Committee
Number of Meetings Held	5	4	4	4	2
Lee SH	5	1	-	-	-
A Jones	5	4	4	-	2
Li S	5	-	-	-	-
R Barwick	5	-	4	4	2
S Bird	5	4	-	1	2
P Dougas	5	-	-	4	2
A Ferguson	-	-	-	-	-
G Hill	5	2	4	-	-
Chen Z	4	-	-	1	-

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group has developed Environmental Management Plans for its operations at Koolan Island, Tallering Peak and Extension Hill. The Environmental Management Plans have been approved by the Western Australian Government Departments' of Mines and Petroleum, Environment and Conservation and where applicable the Department of Health. In addition, plans associated with specific species have been approved by the federal Department of Sustainability, Environment, Water, Population and Communities.

The Environmental Protection Authority (EPA) has also granted approval for the sites Environmental Management Plans. In addition, the Department of Environment & Conservation has granted approval of environmental works to allow construction of "prescribed" facilities and the Department of Mines and Petroleum has granted approval for Mining Proposals at each of the three mine sites.

The Group holds various environmental licenses and authorities, issued under both State and Federal law, to regulate its mining and exploration activities in Australia. These licenses include conditions and regulations in relation to specifying limits on discharges into the environment, rehabilitation of areas disturbed during the course of mining, exploration activities, tenement conditions associated with exploration and mining and the storage of hazardous substances.

There have been no material breaches of the Group's licences.

The Group continues to report under the National Greenhouse and Energy Reporting (NGER) Act 2009. Diesel combustion is the largest source of greenhouse gas emissions.

Directors' Report (continued)

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings on behalf of the Company under section 237 of the *Corporations Act 2001* in the financial year or at the date of this report.

ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

CURRENCY

Amounts in this report and the accompanying financial report are presented in Australian dollars unless otherwise stated.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is contained in the Additional ASX Information section of the Annual Report.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached Independence Declaration from the auditor of the Company on page 28 which forms part of this Report.

NON-AUDIT SERVICES

The following non-audit services were provided by the Company's auditor, EY, during the financial year ended 30 June 2014. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. EY received or is due to receive the following amounts for the provision of non-audit services:

	2014 **$**
Native title royalty audit	4,000

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any directors of the Company.

Nomination, Remuneration and Governance Committee ("NRGC")

The NRGC comprises two independent Non-Executive Directors, being Messrs Jones (Chairman) and Barwick, and one non-independent Non-Executive Director, being Mr Lee.

The NRGC of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and Key Management Personnel.

The NRGC assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration Policy

The Remuneration Policy of the Group has been put in place to ensure that:

- remuneration policies and systems support the Company's wider objectives and strategies;
- Directors' and senior executives' remuneration is aligned to the long-term interests of shareholders within an appropriate control framework; and
- there is a clear relationship between the executives' performance and remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior executive management remuneration is separate.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed. The latest determination was at the Annual General Meeting held on 16 November 2011 when Shareholders approved an aggregate remuneration of $1,250,000 per year. Total Non-Executive Director fees of $881,168 were paid in the 2013/14 financial year.

Each Non-Executive Director receives a fee for being a Director of the Company.

Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of Directors.

Each Non-Executive Director's performance and remuneration is reviewed on an annual basis by the Chairman and NRGC.

Non-Executive Directors' fixed remuneration will comprise the following elements:

- cash remuneration; and
- superannuation contributions made by the Company.

Board operating costs do not form part of Non-Executive Directors' remuneration.

Directors' Report (continued)

Senior Executives' Remuneration

Objective

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

- reward senior executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of senior executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Use of Remuneration Consultants

The NRGC from time to time seeks advice from independent remuneration consultants regarding senior executives' remuneration structures and levels. Such consultants are engaged by, and report directly to, the NRGC, and are required to confirm in writing their independence from the Group's senior and other executives.

During the year, the NRGC sought advice from Godfrey Remuneration Group Pty Ltd ("**Godfrey**") regarding market data in relation to senior executives' remuneration packages and incentive structures, and non-executive director fees. The recommendations were provided directly to the NRGC as an input to the decision-making process, and the NRGC considered these recommendations, along with other factors, in making its remuneration decisions and recommendations to the Board. The fees paid to Godfrey during the year totalled $32,000 and no other services were provided by Godfrey. The NRGC and Board are satisfied the advice received was free from undue influence from the senior executives to whom the remuneration recommendations applied, and Godfrey confirmed this in writing to the NRGC.

Fixed Remuneration

The components of the senior executives' fixed remuneration are determined individually and may include:

- cash remuneration;
- superannuation;
- accommodation and travel benefits;
- motor vehicle, parking and other benefits; and
- reimbursement of entertainment, home office and telephone expenses.

The senior executives' remuneration is reviewed on an annual basis by the Chief Executive Officer, whose remuneration is reviewed annually by the NRGC.

In determining the remuneration package, the NRGC reviews the individual's remuneration with the use of market data for positions with comparable companies. Where appropriate, the package is adjusted so as to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year is considered in the context of the Company's capacity to fund remuneration budgets.

Variable Remuneration

Short-term Incentives ("STI")

The senior executives may receive variable remuneration in the form of STI of up to one half of their annual salary package. STI payments are linked to defined performance measures and provide rewards for completing actions and objectives that are expected to materially improved Company performance. The total potential STI available for award is ultimately at the Board's discretion but is measured to provide sufficient incentive to the senior executives to achieve the objectives set such that the cost to the Group is reasonable in the circumstances.

The performance measures comprise a combination of group and individual measures, chosen to align the interests of senior executives with shareholders, representing the key drivers for short term success of the business and providing a framework for delivering long term value.

Group and individual performance measures are weighted and specify performance required to meet or exceed expectations. The Group performance measures for the 2013/14 STI were:

- Safety: objectives relate to reduction in the Total Recordable Injury Frequency Rate (TRIFR) and implementation of corporate risk and safety management processes and projects.
- Production: objectives relate to delivering at or beyond planned ore sales.
- Costs: objectives relate to delivering at or below planned cost levels and implementation of cost management and operational efficiency programs.
- Capital: objectives relate to delivering at or below the agreed program of expenditure.
- Ore Reserve/Mineral Resource addition: objectives relate to maintaining and growing the mineral resource and ore reserve base.
- Organisation Development: objectives relate to organisational reviews and implementation of performance management and talent management programs designed to improve organisational effectiveness.
- Corporate Growth: objectives relate to the development of growth options.

These Group measures are cascaded into individual performance measures for each senior executive, depending upon the executive’s role and area of responsibility. In addition to these cascaded group measures, executives have personal performance measures which are role-specific and focus on areas or projects above and beyond the performance expected on a day to day basis. The focus of the personal measures is to improve business effectiveness. Individual performance measures are agreed annually and documented in the Company’s performance review process.

On an annual basis, the individual performance of each senior executive is reviewed after consideration of the executive’s performance against individual performance measures. This process usually occurs prior to or just after the reporting date. The NRGC then determines the amount of STI to be allocated to each executive. Payments made are delivered as a cash bonus after the reporting date.

For the 2014 financial year, a total STI cash incentive of $820,651 was awarded to Key Management Personnel. The amount is included in the Company’s financials for the year and was paid after year end.

Long-term Incentive (“LTI”) for 2014 financial year

The Company established the Mount Gibson Iron Limited Performance Rights Plan (“**PRP”**) in the 2008 financial year. Under the PRP, the Board may invite eligible executives to apply for performance rights, which are an entitlement to receive ordinary shares in the Company, subject to satisfaction by the executive of specified performance hurdles set by the Board. The rights are granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years’ continuous service, subject to satisfaction of specified performance hurdles. Current LTI awards are issued and tested for vesting against the Company's Total Shareholder Return ("**TSR**") relative to the TSR of a comparator group of companies over the same period. The PRP provides its executives with long term incentives linked between the delivery of value to shareholders, financial performance and rewarding and retaining the executives.

The employment contracts for the Chief Executive Officer, Mr Beyer, the Company Secretary & General Counsel, Mr Stokes, the Chief Financial Officer, Mr Kerr and the Chief Operating Officer, Mr Thomson, incorporate payment of a LTI. Under their employment contracts, these executives may each year be invited to apply for, and the Company will grant, a number of performance rights equivalent to up to one third of their respective base salaries (including superannuation) divided by the volume weighted average price of the Company’s shares as traded on ASX for the 30 day period prior to 30 June for the relevant year.

At 30 June 2014, 952,600 performance rights were issued by the Company to senior executives in respect of the 2013/14 financial year.

The Company has a policy restricting executives from entering into arrangements to protect the value of unvested LTI entitlements under equity-based remuneration plans.

Directors' Report (continued)

Employment Contracts

As at the date of this report, the Group had entered into employment contracts with the following executives:

Jim Beyer

The key terms of his contract include:

- Commenced as Chief Operating Officer on 2 November 2011 and was appointed as Chief Executive Officer on 14 May 2012, with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Beyer is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Beyer wishes to terminate the contract, he must provide six months' notice.

Peter Kerr

The key terms of his contract include:

- Commenced 19 September 2012 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Kerr is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Kerr wishes to terminate the contract, he must provide six months' notice.

Andrew Thomson

The key terms of his contract include:

- Commenced 18 September 2012 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Thomson is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Thomson wishes to terminate the contract, he must provide six months' notice.

David Stokes

The key terms of his contract include:

- Commenced 2 April 2012 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Stokes is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Stokes wishes to terminate the contract, he must provide six months' notice.

Directors' Report (continued)

Details of directors and key management personnel disclosed in this report

[i] Directors

SH Lee	Non-Executive Deputy Chairman until 18 February 2014, Chairman from 18 February 2014
A Jones	Non-Executive Director
S Li	Non-Executive Director
R Barwick	Non-Executive Director
S Bird	Lead Non-Executive Director
P Dougas	Non-Executive Director
A Ferguson	Alternate Director to Mr Lee
G Hill	Chairman until 18 February 2014, Non-Executive Director until 29 April 2014
Z Chen	Non-Executive Director until 29 April 2014

[ii] Key Management Personnel

J Beyer	Chief Executive Officer
P Kerr	Chief Financial Officer
A Thomson	Chief Operating Officer
D Stokes	Company Secretary and General Counsel

Remuneration of Key Management Personnel for the year ended 30 June 2014

	Short Term			Post Employment		Long Term	Share Based Payment*	Termination Payment		
30 June 2014	Salary & Fees $	Non Monetary $	Cash Incentives $	Super-annuation $	Retirement Benefits $	Long Service Leave $	Options and Performance Rights $	$	Total $	% Perform-ance Related
Directors										
Lee SH	103,128	-	-	9,539	-	-	-	-	**112,667**	-
A Jones	111,060	-	-	10,273	-	-	-	-	**121,333**	-
Li S	58,696	-	-	5,429	-	-	-	-	**64,125**	-
R Barwick	110,298	-	-	10,203	-	-	-	-	**120,501**	-
S Bird	116,400	-	-	10,767	-	-	-	-	**127,167**	-
P Dougas	101,144	-	-	9,356	-	-	-	-	**110,500**	-
G Hill	140,275	-	-	12,975	-	-	-	-	**153,250**	-
Chen Z	65,561	-	-	6,064	-	-	-	-	**71,625**	-
Sub-total	**806,562**	**-**	**-**	**74,606**	**-**	**-**	**-**	**-**	**881,168**	
Other KMP										
J Beyer	710,000	7,922	294,000	25,000	-	1,831	363,051	-	**1,401,804**	47
P Kerr	439,285	3,828	195,630	21,023	-	462	47,257	-	**707,485**	34
A Thomson	490,000	6,209	193,125	25,000	-	517	58,610	-	**773,461**	33
D Stokes	299,278	3,900	137,896	25,182	-	359	65,141	-	**531,756**	38
Sub-total	**1,938,563**	**21,859**	**820,651**	**96,205**	**-**	**3,169**	**534,059**	**-**	**3,414,506**	
Totals	**2,745,125**	**21,859**	**820,651**	**170,811**	**-**	**3,169**	**534,059**	**-**	**4,295,674**	

* Share based payments represent the accounting expense incurred by the Company for the stated financial period, reflecting the terms of the particular options or performance rights.

Options granted as part of remuneration for the year ended 30 June 2014

There is currently a Directors, Officers, Employees and Other Permitted Persons option plan. Options issued pursuant to this plan do not have performance conditions but do contain a vesting condition requiring the employee to remain

Directors' Report (continued)

employed by the Group until a certain date. The cost of these options is measured by reference to their fair value at the date at which they are granted. The fair value is determined by using a binomial model.

There were no options granted to Directors and Executives during the year ended 30 June 2014 and there are no options outstanding as at 30 June 2014.

Performance Rights granted as part of remuneration for the year ended 30 June 2014

	Grant Date for Accounting Purposes	Number Granted	Value of Performance Rights Granted During the Year $	% of Remuneration
J Beyer	01-Jul-13	344,100	92,907	7
P Kerr	01-Jul-13	215,500	58,185	8
A Thomson	01-Jul-13	241,100	65,097	8
D Stokes	01-Jul-13	151,900	41,013	8
Total		952,600	257,202	

The estimated maximum and minimum possible total value of these performance rights is $257,202 and $nil respectively.

Performance Rights granted above as part of remuneration are valued using the Monte Carlo methodology which considers the incorporation of the market-based hurdles. The value per performance right at grant date was calculated using the following assumptions:

Effective grant date for accounting purposes	01-Jul-13
Share price on effective grant date	$0.46
Risk free interest rate	2.90%
Volatility factor	50%
Value of Performance Right on effective grant date	$0.27

The vesting of these Performance Rights is subject to a relative TSR hurdle to be measured on 1 July 2016 and re-measured on 31 December 2016.

Mount Gibson's TSR performance is ranked relative to a comparator group consisting of resource companies listed on ASX. The comparator group comprises various iron ore producers listed on the Australian Securities Exchange, as follows: Atlas Iron Limited, Gindalbie Metals Limited, Rio Tinto Limited, BC Iron Limited, Fortescue Metals Group Limited, Grange Resources Limited, Arrium Limited and Western Desert Resources Limited. The vesting scale is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

Performance Rights vested

The following performance rights vested during the financial year.

	30 June 2014	30 June 2013
J Beyer	220,853	-

A total of 220,853 performance rights vested during the financial year as a result of a change in vesting conditions approved by the Board of Directors effective 30 June 2014 in relation to the 271,318 performance rights granted to Mr Beyer on 30 June 2012. The alteration was undertaken to remove unintended bias in the TSR assessment period. As a result, the commencement date of the vesting period for Mr Beyer's 2012 performance rights was moved from 1 July 2011 (which was prior to the commencement of Mr Beyer's employment) to 1 July 2012. The result of the change was for a total of 220,853 performance rights to vest effective 30 June 2014 and, accordingly, 220,853 ordinary shares were issued on 9 July 2014. The share price on 30 June 2014 was $0.69/share implying a value for the performance rights prior to the change of nil and following the change of $152,389. This amount is included in the remuneration disclosures for Mr Beyer in this Remuneration Report.

Directors' Report (continued)

Performance Rights benefits

For each grant of performance rights, the percentage of the available grant that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The performance rights vest after two to three years, providing the vesting conditions are met (refer above).

	Year Granted	Vested %	Forfeited %	Financial Years Performance Rights May Vest
J Beyer	2012	81	-	2015
J Beyer	2013	-	-	2015
J Beyer	2014	-	-	2016
P Kerr	2013	-	-	2015
P Kerr	2014	-	-	2016
A Thomson	2013	-	-	2015
A Thomson	2014	-	-	2016
D Stokes	2013	-	-	2015
D Stokes	2014	-	-	2016

Performance Rights holdings by Key Management Personnel as at 30 June 2014

30 June 2014	Balance 1 July 2013	Granted as Remuneration	Vested during year	Lapsed/ forfeited During year	Balance 30 June 2014
Directors					
Lee SH	-	-	-	-	-
A Jones	-	-	-	-	-
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	-	-	-	-	-
P Dougas	-	-	-	-	-
A Ferguson	-	-	-	-	-
G Hill	-	-	-	-	-
Chen Z	-	-	-	-	-
Other KMP					
J Beyer	514,768	344,100	(220,853)	-	638,015
P Kerr	121,340	215,500	-	-	336,840
A Thomson	134,420	241,100	-	-	375,520
D Stokes	109,560	151,900	-	-	261,460
Total	**880,088**	**952,600**	**(220,853)**	**-**	**1,611,835**

Shares issued on exercise of options for the year ended 30 June 2014

There were no shares issued on exercise of options by the Directors and Executives during the year ended 30 June 2014 (2013: nil).

Directors' Report (continued)

Shareholdings of Key Management Personnel as at 30 June 2014

30 June 2014	Balance 1 July 2013 Ord	Granted as Remuneration Ord	Vesting of Performance Rights Ord	Net Change Other Ord	Balance 30 June 2014 Ord
Directors					
Lee SH	-	-	-	-	-
A Jones	100,000	-	-	-	100,000
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	20,000	-	-	-	20,000
P Dougas	203,866	-	-	(100,000)	103,866
A Ferguson	-	-	-	-	-
G Hill	70,000	-	-	100,000	170,000
Chen Z	-	-	-	-	-
Other KMP					
J Beyer	19,801	-	-*	-	19,801
P Kerr	-	-	-	-	-
A Thomson	-	-	-	-	-
D Stokes	-	-	-	-	-
Total	**413,667**	**-**	**-**	**-**	**413,667**

* After balance date, 220,853 shares were issued to Mr Beyer as a result of the vesting of an equivalent number of performance rights in the year ended 30 June 2014. Refer previous table.

Remuneration of Key Management Personnel for the year ended 30 June 2013

	Short Term			Post Employment		Long Term	Share Based Payment*	Termination Payment		
30 June 2013	Salary & Fees $	Non Monetary $	Cash Incentives $	Super-annuation $	Retirement Benefits $	Long Service Leave $	Options and Performance Rights $	$	Total $	% Perform-ance Related
Directors										
G Hill	179,816	-	-	16,183	-	-	-	-	**195,999**	-
Lee SH	81,345	-	-	7,321	-	-	-	-	**88,666**	-
A Jones	102,232	-	-	9,201	-	-	-	-	**111,433**	-
Chen Z	88,196	-	-	7,938	-	-	-	-	**96,134**	-
Li S	81,345	-	-	7,321	-	-	-	-	**88,666**	-
R Barwick	105,718	-	-	9,515	-	-	-	-	**115,233**	-
S Bird	98,929	-	-	8,904	-	-	-	-	**107,833**	-
P Dougas	99,067	-	-	8,916	-	-	-	-	**107,983**	-
Sub-total	**836,648**	**-**	**-**	**75,299**	**-**	**-**	**-**	**-**	**911,947**	
Other KMP										
J Beyer	675,000	6,741	372,496	25,000	-	1,211	179,586	-	**1,260,034**	44
P Kerr	331,016	2,015	130,833	17,872	-	217	30,586	-	**512,539**	31
K Bozanic	162,900	463	-	14,661	-	-	-	-	**178,024**	-
A Thomson	361,474	2,015	144,939	25,033	-	244	33,883	-	**567,588**	32
K Faulkner	152,100	60	-	-	-	-	-	-	**152,160**	-
D Stokes	290,010	5,332	118,129	25,000	-	245	33,537	-	**472,253**	32
Sub-total	**1,972,500**	**16,626**	**766,397**	**107,566**	**-**	**1,917**	**277,592**	**-**	**3,142,598**	
Totals	**2,809,148**	**16,626**	**766,397**	**182,865**	**-**	**1,917**	**277,592**	**-**	**4,054,545**	

* Share based payments represent the accounting expense incurred by the Company for the stated financial period, reflecting the terms of the particular options or performance rights.

Options granted as part of remuneration for the year ended 30 June 2013

There were no options granted to Directors and Executives during the year ended 30 June 2013 and there are no options outstanding at 30 June 2013.

Directors' Report (continued)

Performance Rights granted as part of remuneration for the year ended 30 June 2013

	Grant Date for Accounting Purposes	Number Granted	Value of Performance Rights Granted During the Year $	% of Remuneration
J Beyer	01-Jul-12	243,450	223,974	18
P Kerr	19-Sep-12	121,340	109,206	21
A Thomson	19-Sep-12	134,420	120,978	21
D Stokes	01-Jul-12	109,560	100,795	21
Total		608,770	554,953	

The estimated maximum and minimum possible total value of these performance rights is $554,953 and $nil respectively.

Performance Rights granted above as part of remuneration are valued using the Black-Scholes methodology which considers the incorporation of the market-based hurdles. The value per performance right at grant date is calculated using the following assumptions:

Effective grant date for accounting purposes	01-Jul-12	19-Sep-12
Share price on effective grant date	$0.92	$0.90
Risk free interest rate	2.35%pa	2.55%pa
Volatility factor	51%	51%
Value of Performance Right on effective grant date	$0.92	$0.90

The vesting of these Performance Rights is subject to a relative TSR hurdle to be measured on 30 June 2015 and re-measured on 31 December 2015.

Mount Gibson's TSR performance is ranked relative to a comparator group consisting of resource companies listed on ASX. The comparator group comprises companies in the ASX Metals and Mining index with a market capitalisation above $750 million. The vesting scale is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

Performance Rights holdings by Key Management Personnel as at 30 June 2013

30 June 2013	Balance 1 July 2012	Granted as Remuneration	Vested during year	Lapsed/ forfeited During year	Balance 30 June 2013
Directors					
G Hill	-	-	-	-	-
Lee SH	-	-	-	-	-
A Jones	-	-	-	-	-
Chen Z	-	-	-	-	-
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	-	-	-	-	-
P Dougas	-	-	-	-	-
A Ferguson	-	-	-	-	-
Other KMP					
J Beyer	271,318	243,450	-	-	514,768
P Kerr	-	121,340	-	-	121,340
K Bozanic	-	-	-	-	-
A Thomson	-	134,420	-	-	134,420
K Faulkner	-	-	-	-	-
D Stokes	-	109,560	-	-	109,560
Total	**271,318**	**608,770**	**-**	**-**	**880,088**

Directors' Report (continued)

Shareholdings of Key Management Personnel as at 30 June 2013

30 June 2013	Balance 1 July 2012 Ord	Granted as Remuneration Ord	Vesting of Performance Rights Ord	Net Change Other Ord	Balance 30 June 2013 Ord
Directors					
G Hill	70,000	-	-	-	70,000
Lee SH	-	-	-	-	-
A Jones	-	-	-	100,000	100,000
Chen Z	-	-	-	-	-
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	20,000	-	-	-	20,000
P Dougas	100,000	-	-	103,866	203,866
A Ferguson	-	-	-	-	-
Other KMP					
J Beyer	-	-	-	19,801	19,801
P Kerr	-	-	-	-	-
K Bozanic	-	-	-	-	-
A Thomson	-	-	-	-	-
K Faulkner	-	-	-	-	-
D Stokes	-	-	-	-	-
Total	**190,000**	**-**	**-**	**223,667**	**413,667**

Loans to Key Management Personnel

There were no loans to key management personnel during the years ended 30 June 2014 and 30 June 2013.

Other Transactions and Balances with Key Management Personnel

There were no other transactions and balances with key management personnel during the years ended 30 June 2014 and 30 June 2013.

Company Performance

The table below shows the performance of the Group over the last 5 years:

		30 June 2014	30 June 2013	Restated* 30 June 2012	30 June 2011	30 June 2010
Net profit after tax	***$'000***	96,353	157,342	162,016	239,500	132,395
Earnings per share	***$/share***	0.0884	0.1445	0.1496	0.2214	0.1230
Closing share price	***$***	0.69	0.47	0.86	1.84	1.55

* Restated to reflect adjustments made on the adoption of AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. In accordance with the transitional provisions of the Interpretation, amounts in prior years were not restated.

Signed in accordance with a resolution of the Directors.

SENG-HUI LEE
Chairman
Sydney, 19 August 2014

Directors' Report (continued)

Competent Persons Attribution:

Exploration Targets and Exploration results

The information in this report that relates to Exploration Targets and Exploration Results other than those of the Shine Project are based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is a full time employee of the Mount Gibson Iron Limited group, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Gregory Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Shine Exploration Results and Sampling

The information in this report that relates to Exploration Results including sampling techniques and data is based on information compiled by Ian Shackleton, who is a member of the Australian Institute of Geoscientists. Ian Shackleton is a full time employee of Gindalbie Metals Ltd, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ian Shackleton consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Shine Mineral Resource

The information in this report that relates to Mineral Resources is based on information compiled by John Graindorge, who is a Chartered Professional and Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Graindorge consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Shine Ore Reserves

The information in this report that relates to Ore Reserves and Production Targets is based on information compiled by Steve O'Dea, who is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Steve O'Dea is a full-time employee of Coffey Mining Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve O'Dea consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

In relation to our audit of the financial report of Mount Gibson Iron Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Peter McIver
Partner
19 August 2014

PM:EH:MGI:050

Consolidated Income Statement

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CONTINUING OPERATIONS			
Sale of goods	2[a]	897,969	852,873
Other revenue	2[a]	15,549	11,951
TOTAL REVENUE		**913,518**	**864,824**
Cost of sales	2[d]	(724,228)	(698,291)
GROSS PROFIT		**189,290**	**166,533**
Other income	2[b]	8,180	162
Administration expenses	2[e]	(27,958)	(30,798)
Exploration expenses		(116)	(144)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**169,396**	**135,753**
Finance costs	2[c]	(5,698)	(7,313)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**163,698**	**128,440**
Tax benefit/(expense)	3	(67,345)	28,902
NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**96,353**	**157,342**
Earnings per share (cents per share)			
• basic earnings per share	22	8.84	14.45
• diluted earnings per share	22	8.83	14.45

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 $'000	2013 $'000
NET PROFIT FOR THE PERIOD AFTER TAX	**96,353**	**157,342**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	6,837	(18,860)
Reclassification adjustments for losses on cash flow hedges transferred to the Income Statement	165	9,062
Deferred income tax on cash flow hedges	(2,101)	2,790
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,901**	**(7,008)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**101,254**	**150,334**

Consolidated Balance Sheet

As at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	70,471	62,018
Term deposits	5	449,300	314,000
Trade and other receivables	6	53,004	47,301
Inventories	7	67,573	151,973
Prepayments		3,468	2,732
Derivative financial assets	8	2,395	-
Income tax receivable		9,661	-
Total Current Assets		**655,872**	**578,024**
Non-Current Assets			
Property, plant and equipment	10	223,186	247,924
Deferred acquisition, exploration and evaluation	11	21,863	861
Mine properties	12	655,731	661,213
Deferred tax assets	3	45,999	67,350
Total Non-Current Assets		**946,779**	**977,348**
TOTAL ASSETS		**1,602,651**	**1,555,372**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	125,201	105,736
Interest-bearing loans and borrowings	14	7,294	19,188
Derivative financial liabilities	15	-	4,607
Income tax payable		-	26,010
Provisions	16	15,270	12,384
Total Current Liabilities		**147,765**	**167,925**
Non-Current Liabilities			
Provisions	16	45,202	78,637
Interest-bearing loans and borrowings	14	2,162	9,204
Deferred tax liabilities	3	145,504	117,557
Total Non-Current Liabilities		**192,868**	**205,398**
TOTAL LIABILITIES		**340,633**	**373,323**
NET ASSETS		**1,262,018**	**1,182,049**
EQUITY			
Issued capital	17[a]	568,328	568,328
Retained earnings	19	675,519	600,978
Reserves	18	18,171	12,743
TOTAL EQUITY		**1,262,018**	**1,182,049**

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		902,056	830,510
Payments to suppliers and employees		(606,234)	(593,288)
Interest paid		(2,040)	(3,478)
Income tax paid		(55,819)	(54,092)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	4[b]	**237,963**	**179,652**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		14,597	13,028
Proceeds from sale of property, plant and equipment		1,098	15
Purchase of property, plant and equipment		(49,119)	(42,421)
Payment for term deposits		(135,300)	(62,000)
Payment for acquisition costs		(12,000)	-
Payment for deferred exploration and evaluation expenditure		(4,484)	(216)
Payment for mine properties		(80)	(2,511)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(185,288)**	**(94,105)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(19,120)	(21,275)
Repayment of borrowings		(485)	(387)
Payment of borrowing costs		(1,584)	(1,806)
Dividends paid		(21,812)	(40,004)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(43,001)**	**(63,472)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,674	22,075
Net foreign exchange difference		(1,221)	(735)
Cash and cash equivalents at beginning of year		62,018	40,678
CASH AND CASH EQUIVALENTS AT END OF YEAR	4[a]	**70,471**	**62,018**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to Equity Holders of the Parent					*Total Equity*
	Issued Capital $'000	**Retained Earnings $'000**	**Share Based Payments Reserve $'000**	**Net Unrealised Gains / (Losses) Reserve $'000**	**Other Reserves $'000**	**$'000**
At 1 July 2012 Restated	**564,710**	**487,162**	**18,875**	**3,783**	**(3,192)**	**1,071,338**
Profit for the period	-	157,342	-	-	-	**157,342**
Other comprehensive income	-	-	-	(7,008)	-	**(7,008)**
Total comprehensive income for the year	**-**	**157,342**	**-**	**(7,008)**	**-**	**150,334**
Transactions with owners in their capacity as owners						
- Deferred income tax on capital raising cost	95	-	-	-	-	**95**
- Shares issued	3,523	-	-	-	-	**3,523**
- Dividends paid	-	(43,526)	-	-	-	**(43,526)**
Share-based payments	-	-	285	-	-	**285**
At 30 June 2013	**568,328**	**600,978**	**19,160**	**(3,225)**	**(3,192)**	**1,182,049**
At 1 July 2013	**568,328**	**600,978**	**19,160**	**(3,225)**	**(3,192)**	**1,182,049**
Profit for the period	-	96,353	-	-	-	**96,353**
Other comprehensive income	-	-	-	4,901	-	**4,901**
Total comprehensive income for the year	**-**	**96,353**	**-**	**4,901**	**-**	**101,254**
Transactions with owners in their capacity as owners						
- Dividends paid	-	(21,812)	-	-	-	**(21,812)**
Share-based payments	-	-	527	-	-	**527**
At 30 June 2014	**568,328**	**675,519**	**19,687**	**1,676**	**(3,192)**	**1,262,018**

Notes to the Consolidated Financial Report

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate information

The consolidated financial statements of the Group, comprising the Company and the entities that it controlled during the year ended 30 June 2014, were authorised for issue in accordance with a resolution of the Directors on 19 August 2014.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Group are the mining of hematite iron ore deposits at Tallering Peak, Koolan Island and Extension Hill and exploration and development of hematite deposits in the Mid-West region of Western Australia.

The address of the registered office is Level 1, 2 Kings Park Road, West Perth, Western Australia, 6005, Australia.

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (ASIC) Class Order 98/0100. The Company is an entity to which the class order applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities.

The financial statements of controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(d) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("**IFRS"**) as issued by the International Accounting Standards Board.

Notes to the Consolidated Financial Report (continued)

From 1 July 2013 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on or after 1 July 2013 including:

Reference	Title	Application date of standard	Application date for Group
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	1 July 2013
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119 (Revised 2011)	**Employee Benefits** The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013
AASB 2012-2	**Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities** AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	1 July 2013

Notes to the Consolidated Financial Report (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2012-5	**Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle** AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements)	1 January 2013	1 July 2013
AASB 2012-9	**Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039** AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	1 July 2013
AASB 2011-4	**Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]** This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013

The main impact of the adoption of new standards and interpretations effective 1 July 2013 was disclosure changes. Changes to accounting policies due to adoption of these standards and interpretations are not considered significant for the Group.

Notes to the Consolidated Financial Report (continued)

Other Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended, are not yet effective and have not been adopted by the Group for the period ended 30 June 2014 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
AASB2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2014 1 January 2015	1 July 2014 1 July 2015

Notes to the Consolidated Financial Report (continued)

<table>
<tr><th>Reference</th><th>Title</th><th>Summary</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td>AASB 9</td><td>Financial Instruments</td><td>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)

► The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures

2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time

3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018</td><td>1 January 2018</td><td>1 July 2018</td></tr>
</table>

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014
Amendments to IAS 16 and IAS 38***	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
IFRS 15***	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate(e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. The following items are addressed by this standard: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market conditions' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 16 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014
Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting. Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. The following items are addressed by this standard: ► AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014

*** These IFRS amendments have not yet been adopted by the AASB.

The Group has yet to fully assess the impact of these new and amended Accounting Standards and Interpretations.

Notes to the Consolidated Financial Report (continued)

(e) Foreign currency

The functional currency of the Company and its controlled entities is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such exchange differences are taken to the income statement in the consolidated financial report.

(f) Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables are recognised and carried at amortised cost less any allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect the debts. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency and default in payment. Any impairment is recognised in the income statement.

The vast majority of sales revenue is invoiced and received in US dollars (US$). The balance is invoiced and received in A$.

Generally, on presentation of shiploading documents and provisional invoice, the customer settles 90-95% of the provisional sales invoice value within 10 days of receipt of shiploading documents and provisional invoice, and the remaining 5-10% is settled within 30 days of presentation of the final invoice. The final value is subject to minor adjustments based on the final analyses of weight, chemical and physical composition, and moisture content.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost comprises direct material, labour and expenditure in getting such inventories to their existing location and condition, based on weighted average costs incurred during the period in which such inventories were produced.

Consumable materials for plant and equipment are recognised as inventory. Consumable stocks are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Property, plant and equipment

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

Depreciation

The cost of owned property, plant and equipment directly engaged in mining operations is written off over its expected economic life on a units-of-production method, in the establishment of which, due regard is given to the life of the related area of interest. Plant and equipment under hire purchase or finance lease directly engaged in mining operations is written down to its residual value over the lesser of the hire purchase or finance lease term or useful life. Other assets which are depreciated or amortised on a basis other than the units-of-production method typically are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings 5 - 20 years
- Motor vehicles 4 - 5 years
- Office equipment 3 - 5 years
- Leasehold improvements Shorter of lease term or useful life of 5 – 10 years

Impairment

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

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

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(j) Mine properties

Deferred stripping

As part of its mining operations, the Group incurs mining stripping (waste removal) costs both during the development and production phase of its operations.

When stripping costs are incurred in the development phase of a mine before the production phase commences (development stripping), such expenditure is capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase creates two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset in mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided on the units-of-production method over the life of the identified component of orebody. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

Other mine properties

Other mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of mineral resource has commenced. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on the units-of-production method over the life of the mine, with separate calculations being made for each mineral resource. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of the expenditure not yet amortised exceed its estimated recoverable amount, the excess is written off to the income statement.

(k) Acquisition, exploration and evaluation costs

Acquisition costs

Exploration and evaluation costs arising from acquisitions are carried forward where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Exploration and evaluation costs

Costs arising from exploration and evaluation activities are capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Notes to the Consolidated Financial Report (continued)

(l) Rehabilitation costs

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and amortised over the remaining lives of the area of interest.

Annual increases in the provision relating to the change in the net present value of the provision are accounted for in the income statement as borrowing costs.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets.

(m) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Recoverable amount is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less cost to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss 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 systematic basis over its remaining useful life.

(n) Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'loans and receivables' and 'available-for-sale financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

[i] Held-to-maturity investments

Commercial bills and bonds with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

[ii] Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest rate method, less any impairment. Interest is recognised by applying the effective interest rate method.

(o) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised.

Notes to the Consolidated Financial Report (continued)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends have been declared, determined or publicly recommended on or before the balance date.

(r) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("**equity-settled transactions**").

Options

There is currently a Directors, Officers, Employees and Other Permitted Persons option plan.

The cost of these options is measured by reference to their fair value at the date at which they are granted. The fair value is determined by using a binomial model.

In valuing these options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

Performance rights

There is a Mount Gibson Iron Limited Performance Rights Plan ("**PRP"**). The PRP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives.

The cost of these performance rights is measured by reference to the fair value at the date at which they are granted. The fair value is determined using either a Black-Scholes or Monte Carlo option valuation model.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options and performance rights is reflected as additional share dilution in the computation of earnings per share.

Notes to the Consolidated Financial Report (continued)

(s) Employee benefits

Wages, salaries, sick leave and other employee benefits

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, experience of employee departures, and periods of service. Future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Superannuation

Contributions made by the Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

(t) Borrowing costs

Borrowing costs are recognised as an expense when incurred except when borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(v) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders’ right to receive the payment is established.

Notes to the Consolidated Financial Report (continued)

(w) Taxation

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 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 the 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 can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all 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 associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse 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 assets is reviewed at each balance sheet date and reduced to the extent that it 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 and not in the income statement.

Mineral Resource Rent Tax (MRRT)

MRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred MRRT tax expense is measured and disclosed on the same basis as income tax.

The Group has recognised deferred income tax assets in respect of the tax base of MRRT assets to the extent that the Group estimates these deferred income tax assets will be utilised in the future.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Derivative financial instruments and hedging

The Group uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. All hedges are currently classified as cash flow hedges.

Cash flow hedges – forward foreign currency contracts

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 50 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

At each balance date, the Group measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over hedged, the ineffective portion is taken immediately to other income or expense in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(z) Financial instruments issued by the Group

[i] Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

[ii] Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(aa) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, 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.

Diluted earnings per share is calculated as net profit attributable to members of the company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(bb) Significant accounting judgements, estimates and assumptions

Significant accounting judgements, estimates and assumptions have been made as follows:

(i) Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy stated in Note 1(l). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in anticipated rehabilitation activities and costs, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such difference will impact the mine rehabilitation provision in the period in which they change or become known.

Notes to the Consolidated Financial Report (continued)

(ii) Units of production method of depreciation

The Group applies the units of production method of depreciation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available ore reserves and mineral resources and the production capacity of the operations to be depreciated under this method. Factors that are considered in determining ore reserves, mineral resources and production capacity include the Group's history of converting mineral resources to ore reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. The Group uses economically recoverable mineral resources (comprising proven and probable ore reserves) to depreciate assets on a unit of production basis. However, where a mineral property has been acquired and an amount has been attributed to the fair value of mineral resources not yet designated as ore reserves, the additional mineral resources have been taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

(iii) Determination of mineral resources and ore reserves

The Group estimates its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the '**JORC Code**'). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the ore reserves being restated. Such changes in the ore reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

(iv) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of mineral resources and ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable ore reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

(v) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of mineral resources and ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Group regularly reviews the carrying values of its mine development assets in the context of internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability along with property, plant and equipment as described below.

(vi) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flow forecasts for each cash generating unit (i.e. each mine) are prepared utilising management's latest estimates of mine life, mineral resource and ore reserve recovery, operating and development costs, royalties and taxation, and other relevant cash inflows and outflows. Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows is determined utilising a discount rate based on industry weighted average cost of capital.

The Group's cash flows are most sensitive to movements in iron ore prices, the discount rate and key operating costs. In particular, the forecast cash flows of the Koolan Island operation are most sensitive to variations in these key factors while a mine waste stripping program is completed over the next few years.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment assessment or losses recognised, if any, which could in turn impact future financial results.

(vii) Deferred Waste

The Group's policy for deferred waste development costs is set out in Note 1(j). Significant judgement is required in determining the capitalisation ratio for each component of the mine. Factors that are considered include:

- Any proposed changes in the design of the mine;
- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Identifiable components of orebody;
- Future production levels;
- Impacts of regulatory obligations and taxation legislation;
- Future commodity prices; and
- Future cash costs of production.

(viii) Recoverability of potential deferred tax assets

The Group recognises deferred tax assets in respect of tax losses to the extent that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred tax assets recognised, which would in turn impact future financial results.

Notes to the Consolidated Financial Report (continued)

	Notes	2014 $'000	2013 $'000
2. REVENUE AND EXPENSES			
[a] Revenue			
Sale of ore		897,804	843,811
Realised gain on foreign exchange hedges		165	9,062
		897,969	852,873
Other revenue			
Interest income		15,549	11,951
		15,549	11,951
[b] Other income			
Realised gain on foreign exchange		-	1
Net gain on disposal of property, plant and equipment		46	-
Other income	[i]	8,134	161
		8,180	162

[i] During the year ended 30 June 2014, Mount Gibson received an interim distribution of $8.05 million from the liquidators of Pioneer Iron & Steel Group Company Limited, a former customer.

	Notes	2014 $'000	2013 $'000
[c] Finance costs			
Finance charges on banking facilities		1,902	2,406
Finance charges payable under finance leases		1,379	2,869
		3,281	5,275
Interest accretion on rehabilitation provision		2,417	2,038
		5,698	7,313
[d] Cost of Sales			
Mining and administration costs		334,942	319,823
Depreciation – mining and administration		31,501	28,935
Mining waste costs deferred	12	(152,127)	(100,904)
Amortisation of mining waste costs deferred	12	89,690	97,544
Amortisation of mine properties	12	40,338	26,806
Crushing costs		43,126	34,230
Depreciation – crushing		7,171	7,112
Transport costs		110,715	104,810
Depreciation – transport		7,201	7,622
Port costs		33,799	27,680
Depreciation – port		20,893	26,390
Royalties		74,015	64,832
Net ore inventory movement		82,964	53,411
		724,228	698,291
[e] Administration Expenses include:			
Depreciation		545	514
Share-based payments expense	21[a]	527	285
Net loss on disposal of plant and equipment		-	38
Net unrealised loss on foreign exchange balances		1,221	735
Net realised loss on foreign exchange transactions		4	-
[f] Cost of Sales and Administration expenses above include:			
Salaries, wages expense and other employee benefits		109,648	104,535
Operating lease rental – minimum lease payments		33,279	41,053

	2014 $'000	2013 $'000

3. TAXATION

Major components of tax (benefit)/expense for the years ended 30 June 2014 and 2013 are:

	2014 $'000	2013 $'000
Income Statement		
Current tax		
Current income tax charge	18,766	72,073
Deferred tax		
Relating to origination and reversal of temporary differences:		
Income tax	27,228	(36,514)
Minerals resource rent tax	21,351	(64,461)
Tax (benefit)/expense reported in Income Statement	**67,345**	**(28,902)**
Statement of Changes in Equity		
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Capital raising costs	-	-
Remeasurement of foreign exchange contracts	719	(1,382)
Deferred income tax (benefit)/liability reported in equity	719	(1,382)

Reconciliation of tax expense

A reconciliation of tax expense applicable to accounting profit before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2014 and 2013 is as follows:

	2014 $'000	2013 $'000
Accounting profit before tax	163,698	128,440
• At the statutory income tax rate of 30% (2013: 30%)	49,109	38,532
• Expenditure not allowed for income tax purposes	572	101
• Other	(3,687)	(3,074)
Minerals resource rent tax benefit	21,351	(64,461)
Tax (benefit)/expense	**67,345**	**(28,902)**
Effective tax rate	41.1%	(23.0)%
Tax (benefit)/expense reported in Income Statement	**67,345**	**(28,902)**

Notes to the Consolidated Financial Report (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
CONSOLIDATED						
Accrued liabilities	(1,100)	(2,201)	-	-	(1,100)	(2,201)
Capital raising costs	(17)	342	-	-	(17)	342
Deferred income	-	-	1,270	-	1,270	-
Foreign exchange contracts	-	(1,602)	353	-	353	(1,602)
Interest receivable	-	-	-	740	-	740
Inventory	-	-	254	3,898	254	3,898
Lease liability	-	(885)	-	-	-	(885)
Minerals resource rent tax	(45,999)	(67,350)	-	-	(45,999)	(67,350)
Prepaid expenditure	-	-	192	48	192	48
Fixed assets, mine properties and exploration expenditure	-	-	165,460	145,386	165,460	145,386
Provisions	(20,070)	(27,437)	-	-	(20,070)	(27,437)
Borrowing cost	(838)	(732)	-	-	(838)	(732)
Tax (assets) liabilities	(68,024)	(99,865)	167,529	150,072	99,505	50,207
Set off of tax	22,025	32,515	(22,025)	(32,515)	-	-
Net tax (assets)/liabilities	**(45,999)**	**(67,350)**	**145,504**	**117,557**	**99,505**	**50,207**

	Balance 1 July 2013 $'000	**Recognised in Income $'000**	**Recognised in Equity $'000**	**Balance 30 June 2014 $'000**
Movement in temporary differences during the financial year ended 30 June 2014				
Accrued liabilities	(2,201)	1,101	-	(1,100)
Capital raising costs	342	(359)	-	(17)
Deferred income	-	1,270	-	1,270
Foreign exchange contracts	(1,602)	1,236	719	353
Interest receivable	740	(740)	-	-
Inventory	3,898	(3,644)	-	254
Lease liability	(885)	885	-	-
Minerals resource rent tax	(67,350)	21,351	-	(45,999)
Prepaid expenditure	48	144	-	192
Fixed assets, mine properties and exploration expenditure	145,386	20,074	-	165,460
Provisions	(27,437)	7,367	-	(20,070)
Borrowing cost	(732)	(106)	-	(838)
	50,207	**48,579**	**719**	**99,505**

Notes to the Consolidated Financial Report (continued)

Movement in temporary differences during the financial year ended 30 June 2013	**Balance 1 July 2012 $'000**	**Recognised in Income $'000**	**Recognised in Equity $'000**	**Balance 30 June 2013 $'000**
Accrued liabilities	(1,145)	(1,056)	-	(2,201)
Capital raising costs	(412)	754	-	342
Deferred income	43,877	(43,877)	-	-
Foreign exchange contracts	(15)	(205)	(1,382)	(1,602)
Interest receivable	699	41	-	740
Inventory	(974)	4,872	-	3,898
Lease liability	(890)	5	-	(885)
Minerals resource rent tax	(2,889)	(64,461)	-	(67,350)
Prepaid expenditure	101	(53)	-	48
Fixed assets, mine properties and exploration expenditure	144,219	1,167	-	145,386
Provisions	(26,610)	(827)	-	(27,437)
Borrowing cost	-	(732)	-	(732)
Share based payment	4	(4)		-
Tax losses	(3,401)	3,401	-	-
	152,564	**(100,975)**	**(1,382)**	**50,207**

		2014 $'000	**2013 $'000**
Unrecognised deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Minerals resource rent tax – mine properties (net of income tax)	[1]	419,504	217,784
Tax losses		-	558
		419,504	218,342

[1] Deferred tax assets relating to minerals resource rent tax have not been recognised on the basis that it is not probable they will be utilised in the future and therefore they are considered not to be recoverable.

	2014 $'000	2013 $'000

4. CASH AND CASH EQUIVALENTS

[a] Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	2014 $'000	2013 $'000
Cash at bank and in hand	55,471	47,018
Short-term deposits	15,000	15,000
	70,471	62,018

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

[b] Reconciliation of the net profit after tax to the net cash flows from operations

	2014 $'000	2013 $'000
Net profit after tax	96,353	157,342
Adjustments for:		
Depreciation of non-current assets	67,311	70,573
Amortisation of deferred waste	89,690	97,544
Amortisation of other mine properties	40,338	26,806
Net (gain)/loss on disposal of property, plant and equipment	(46)	38
Interest received	(15,549)	(11,951)
Exploration expenses written off	116	144
Share based payments	527	285
Interest accretion on rehabilitation provision	2,417	2,038
Stock obsolescence	1,400	1,699
Borrowing costs	1,241	1,797
Unrealised loss on foreign exchange	1,221	735
Capitalised expenses	(4,710)	(2,116)
Changes in assets and liabilities		
(Increase) in trade and other receivables	(5,703)	(23,509)
Decrease in inventory	83,000	56,294
(Increase)/decrease in prepayments and deposits	(736)	452
(Increase)/decrease in deferred tax assets	21,351	(64,461)
(Increase) in capitalised deferred waste	(152,127)	(100,904)
Increase/(decrease) in trade and other payables	19,465	(16,794)
Increase/(decrease) in current income tax liabilities	(35,671)	16,570
Increase/(decrease) in deferred tax liabilities	25,846	(35,102)
Increase in restructure provision	73	1,279
Increase in road sealing provision	200	200
Increase in employee benefits	1,956	693
Net Cash Flow from Operating Activities	**237,963**	**179,652**

[c] Non-cash financing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate fair value of $nil (2013: $2,531,193) by means of finance leases and hire purchase agreements. The Group disposed of items of property, plant and equipment with an aggregate fair value of $1,029,696 (2013: $nil) which were financed by means of finance leases.

	Notes	2014 $'000	2013 $'000
5. TERM DEPOSITS			
Current			
Receivables – term deposits		434,300	314,000
Receivables – subordinated notes		15,000	-
		449,300	**314,000**

Term deposits are made for varying periods of between three and twelve months depending on the term cash requirements of the Group, and earn interest at market term deposit rates.

Subordinated notes comprise floating interest rate instruments with maturities of up to ten years.

6. TRADE AND OTHER RECEIVABLES

	Notes	2014 $'000	2013 $'000
Current			
Trade debtors	[a][i]	41,802	37,705
Sundry debtors	[a][ii]	5,819	6,490
Other receivables		5,383	3,106
		53,004	**47,301**

[a] Terms and conditions

Terms and conditions relating to the above financial instruments:

[i] Details of terms and conditions of trade debtors and credit sales are set out in note 1(g).

[ii] Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.

[b] Impaired or past due financial assets

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. At 30 June 2014, trade debtors of $nil (2013: $ $nil) in the Group were impaired.

At 30 June 2014, trade debtors of $800,176 (2013: $5,166,585) in the Group were past due but not impaired. These relate to a number of customers for whom there is no recent history of default or other indicators of impairment. At 19 August 2014, $666,236 of this amount remains outstanding.

With respect to trade debtors that are neither impaired nor past due, there are no indications as of the reporting date that the relevant debtors will not meet their payment obligations.

	2014 $'000	2013 $'000
The ageing of trade debtors past due but not impaired is as follows:		
Less than 30 days overdue	-	109
Between 30 and 60 days overdue	(597)	-
Between 60 and 90 days overdue	(63)	999
Greater than 90 days overdue	1,460	4,058
	800	5,166
Trade debtors not impaired and not past due	41,002	32,539
	41,802	37,705

Notes to the Consolidated Financial Report (continued)

	Notes	2014 $'000	2013 $'000

7. INVENTORIES

Consumables – at cost		28,645	28,736
Provision for stock obsolescence		(3,237)	(1,893)
Ore – at cost		55,705	147,443
Provision for low grade ore		(13,540)	(22,313)
		67,573	**151,973**

8. DERIVATIVE FINANCIAL ASSETS

Current			
Foreign currency forward contracts	30[b][i]	2,395	-
		2,395	**-**

9. INTEREST IN SUBSIDIARIES

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group 2014 %	2013 %
Mount Gibson Mining Limited	Australia	100	100
Geraldton Bulk Handling Pty Ltd	Australia	100	100
Aztec Resources Limited	Australia	100	100
• Koolan Iron Ore Pty Ltd	Australia	100	100
• Koolan Shipping Pty Ltd	Australia	100	100
• Brockman Minerals Pty Ltd	Australia	100	100

Entities subject to Class Order relief

Pursuant to Class Order 98/1418, relief has been granted to Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports. As a condition of the Class Order, Mount Gibson Iron Limited, Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd ("**Closed Group**") entered into a Deed of Cross Guarantee on 1 May 2009. The effect of this deed is that Mount Gibson Iron Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Mount Gibson Iron Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Notes to the Consolidated Financial Report (continued)

The Consolidated Income Statement and Balance Sheet of the Closed Group are set out below:

Consolidated Income Statement of the Closed Group

	2014 $'000	2013 $'000
CONTINUING OPERATIONS		
Sale of goods	897,969	852,873
Other revenue	15,547	11,945
TOTAL REVENUE	913,516	864,818
Cost of sales	(685,545)	(653,668)
GROSS PROFIT	227,971	211,150
Other income	8,180	160
Administration expenses	(27,952)	(30,795)
Exploration expenses	(116)	(144)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	208,083	180,371
Finance costs	(5,698)	(7,366)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	202,385	173,005
Tax benefit/(expense)	(78,944)	10,625
NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE CLOSED GROUP	123,441	183,630

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	2014 $'000	2013 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	67,369	59,004
Term deposits	449,300	314,000
Trade and other receivables	51,948	43,081
Inventories	67,123	151,973
Prepayments	3,350	2,706
Derivative financial assets	2,395	-
Income tax receivable	9,661	-
TOTAL CURRENT ASSETS	**651,146**	**570,764**
NON-CURRENT ASSETS		
Other receivables	130,757	121,275
Property, plant and equipment	187,522	195,066
Deferred acquisition, exploration and evaluation costs	21,863	861
Mine properties	655,731	661,213
Deferred tax assets	37,557	61,201
TOTAL NON-CURRENT ASSETS	**1,033,430**	**1,039,616**
TOTAL ASSETS	**1,684,576**	**1,610,380**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	120,226	99,990
Interest-bearing loans and borrowings	7,294	19,188
Derivative financial liabilities	-	4,607
Income tax payable	-	26,010
Provisions	15,030	12,220
TOTAL CURRENT LIABILITIES	**142,550**	**162,015**
NON-CURRENT LIABILITIES		
Provisions	45,197	78,598
Interest-bearing loans and borrowings	2,162	9,204
Deferred tax liabilities	137,420	110,372
TOTAL NON-CURRENT LIABILITIES	**184,779**	**198,174**
TOTAL LIABILITIES	**327,329**	**360,189**
NET ASSETS	**1,357,247**	**1,250,191**
EQUITY		
Issued capital	568,328	568,328
Retained earnings	770,748	669,120
Reserves	18,171	12,743
TOTAL EQUITY	**1,357,247**	**1,250,191**

	2014 $'000	2013 $'000
10. PROPERTY, PLANT AND EQUIPMENT		
Freehold land - at cost	654	654
Plant and equipment – at cost	265,791	240,306
Accumulated depreciation	(146,393)	(112,316)
	119,398	127,990
Plant and equipment under lease – at cost	94,615	101,208
Accumulated depreciation	(81,662)	(69,763)
	12,953	31,445
Buildings – at cost	140,842	118,112
Accumulated depreciation	(65,380)	(49,660)
	75,462	68,452
Buildings under lease – at cost	522	522
Accumulated depreciation	(522)	(512)
	-	10
Capital works in progress – at cost	14,719	19,373
Total property, plant and equipment		
At cost	517,143	480,175
Total accumulated depreciation	(293,957)	(232,251)
	223,186	**247,924**

[a] Assets pledged as security

	2014 $'000	2013 $'000
The value of assets pledged as security are:		
Freehold land	654	654
Plant and equipment	119,398	127,990
Plant and equipment under lease	12,953	31,445
Buildings	75,462	68,452
Buildings under lease	-	10
Capital works in progress	14,719	19,373
	223,186	247,924

Refer Note 14 for details of security arrangements.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

[b] Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year:

	2014 $'000	2013 $'000
Plant and equipment		
Carrying amount at the beginning of the year	127,990	139,544
Additions	25,658	18,391
Transfers	(56)	3,951
Disposals	(22)	(52)
Depreciation expense	(34,172)	(33,844)
Carrying amount at the end of the year	119,398	127,990
Plant and equipment under lease		
Carrying amount at the beginning of the year	31,445	46,634
Additions	-	2,533
Transfers	-	-
Disposals	(1,030)	-
Depreciation expense	(17,462)	(17,722)
Carrying amount at the end of the year	12,953	31,445
Buildings		
Carrying amount at the beginning of the year	68,452	84,485
Additions	22,524	2,802
Transfers	153	136
Disposals	-	-
Depreciation expense	(15,667)	(18,971)
Carrying amount at the end of the year	75,462	68,452
Buildings under lease		
Carrying amount at the beginning of the year	10	46
Depreciation expense	(10)	(36)
Carrying amount at the end of the year	-	10
Capital works in progress		
Carrying amount at the beginning of the year	19,373	12,018
Additions	936	21,970
Transfers	(97)	(4,087)
Transfers to mine properties	(5,493)	(10,528)
Carrying amount at the end of the year	14,719	19,373

	Notes	2014 $'000	2013 $'000

11. DEFERRED ACQUISITION, EXPLORATION AND EVALUATION COSTS

	2014	2013
Deferred acquisition, exploration and evaluation costs carried forward in respect of mining areas of interest:		
Extension Hill	1,194	68
Koolan Island	308	160
Fields Find	1,683	584
Shine	18,678	-
Other	-	49
	21,863	**861**
Reconciliation		
Carrying amount at beginning of the year	861	344
Additions	21,118	1,640
Transferred to mine properties	-	(979)
Exploration expenditure written off	(116)	(144)
Carrying amount at the end of the year	21,863	861

12. MINE PROPERTIES

	2014	2013
Mine development expenditure	1,442,621	1,318,075
Accumulated amortisation	(786,890)	(656,862)
	655,731	**661,213**

Reconciliation

	Koolan Island		Tallering Peak		Extension Hill		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred Waste								
Carrying amount at the beginning of the period	279,193	228,250	12,574	60,157	-	-	291,767	288,407
Deferred waste capitalised	151,028	97,096	1,099	3,808	-	-	152,127	100,904
Amortisation expensed	(76,017)	(46,153)	(13,673)	(51,391)	-	-	(89,690)	(97,544)
Carrying amount at the end of the period	**354,204**	**279,193**	**-**	**12,574**	**-**	**-**	**354,204**	**291,767**
Other mine properties								
Carrying amount at the beginning of the period	336,715	344,414	2,559	4,544	30,172	35,694	369,446	384,652
Additions	-	-	11	75	-	18	11	93
Mine rehabilitation – revised estimate adjustment	(32,853)	-	-	-	(232)	-	(33,085)	-
Transferred (to)/from deferred acquisition, exploration and evaluation	-	(444)	-	1,423	-	-	-	979
Transferred from capital works in progress	5,493	10,528	-	-	-	-	5,493	10,528
Amortisation expensed	(32,478)	(17,783)	(2,570)	(3,483)	(5,290)	(5,540)	(40,338)	(26,806)
Carrying amount at the end of the period	**276,877**	**336,715**	**-**	**2,559**	**24,650**	**30,172**	**301,527**	**369,446**
Total mine properties	**631,081**	**615,908**	**-**	**15,133**	**24,650**	**30,172**	**655,731**	**661,213**

The security pledged for financing facilities includes mining mortgages over the mining tenements and contractual rights to mine hermatite deposits owned by the Group. Refer Note 14.

Notes to the Consolidated Financial Report (continued)

	Notes	2014 $'000	2013 $'000
13. TRADE AND OTHER PAYABLES			
Current			
Trade creditors	[a]	46,356	33,720
Accruals and other payables	[a]	78,845	72,016
		125,201	**105,736**

[a] Current trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms.

	Notes	2014 $'000	2013 $'000
14. INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Lease liability	[a]	-	1,197
Hire purchase facility	[b]	7,294	17,991
		7,294	**19,188**
Non-Current			
Hire purchase facility	[b]	2,162	9,204
		2,162	**9,204**

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Notes	2014 $'000	2013 $'000
Total facilities:			
• Finance leases	[a]	-	1,197
• Hire purchase facility	[b]	9,456	27,195
• Performance bonding facility	[c]	65,000	65,000
		74,456	**93,392**
Facilities used at reporting date:			
• Finance leases		-	1,197
• Hire purchase facility		9,456	27,195
• Performance bonding facility		57,221	58,625
		66,677	**87,017**
Facilities unused at reporting date:			
• Finance leases		-	-
• Hire purchase facility		-	-
• Performance bonding facility		7,779	6,375
		7,779	**6,375**

Notes to the Consolidated Financial Report (continued)

Terms and conditions relating to the above financial facilities:

[a] **Finance Lease Facility**

The final instalments on finance leases were paid in May 2014. As at 30 June 2014, there was no finance lease liability.

[b] **Hire Purchase Facility**

Hire purchase arrangements have been entered into by Koolan Iron Ore Pty Ltd and Mount Gibson Mining Ltd via Master Lease agreements with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Hire purchase amounts are repayable monthly with final instalments due in August 2016. Interest is charged at an average rate of 7.43% pa. The facilities are secured by a first mortgage over the assets the subject of the hire purchase agreements and a guarantee from the Company. This facility is drawn and repayable in A$.

[c] **Performance Bonding Facility**

In May 2011, the Company entered into a Facility Agreement comprising a Corporate Loan facility and a Performance Bonding facility. The undrawn Corporate Loan facility was cancelled in full in April 2013. The Performance Bonding facility, which totals $65.0 million and was drawn to $57.2 million as at 30 June 2014, was extended in the period to expire on 30 June 2017.

The security pledge for the Performance Bonding Facility is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite iron ore at Extension Hill.

15. DERIVATIVE FINANCIAL LIABILITIES

	Notes	2014 $'000	2013 $'000
Current			
Foreign currency forward contracts	30[b][i]	-	4,607
		-	**4,607**

	Notes	2014 $'000	2013 $'000
16. PROVISIONS			
Current			
Employee benefits		8,927	6,314
Road resealing		833	633
Restructure		5,510	5,437
		15,270	**12,384**
Non-Current			
Employee benefits		400	1,057
Decommissioning rehabilitation		44,802	77,580
		45,202	**78,637**

Movement in provisions:

Road Resealing

	2014 $'000	2013 $'000
Carrying amount at beginning of the year	633	433
Provision for period	400	400
Amounts utilised during the period	(200)	(200)
Carrying amount at end of the year	833	633

This provision relates to the forecast cost of roadworks associated with the Tallering Peak mine site. The payments to the relevant local government authorities are made annually.

Restructure

	2014 $'000	2013 $'000
Carrying amount at beginning of the year	5,437	4,158
Provision for period	693	2,674
Amounts utilised during the period	(620)	(1,395)
Carrying amount at end of the year	5,510	5,437

This provision relates to the forecast costs associated with release of personnel on closure of Tallering Peak, which is expected to occur by December 2014.

Decommissioning Rehabilitation

	2014 $'000	2013 $'000
Carrying amount at beginning of the year	77,580	77,432
Revised estimate adjustment	(33,085)	-
Amounts utilised during the period	(2,110)	(1,890)
Interest accretion on rehabilitation provision	2,417	2,038
Carrying amount at end of the year	44,802	77,580

This provision represents the present value of decommissioning and rehabilitation costs on closure of the Tallering Peak, Koolan Island and Extension Hill mines. The timing of decommissioning and rehabilitation expenditure is dependent on the life of the mines, which may vary in future.

	2014 $'000	2013 $'000
Tallering Peak	6,472	8,584
Koolan Island	30,640	61,313
Extension Hill	7,690	7,683
	44,802	77,580

	2014 $'000	2013 $'000
17. ISSUED CAPITAL		
[a] Ordinary shares		
Issued and fully paid	**568,328**	**568,328**

		2014 Number of Shares	2014 $'000	2013 Number of Shares	2013 $'000
[b] Movement in ordinary shares on issue					
Beginning of the financial year		1,090,584,232	568,328	1,085,728,430	564,710
Vesting of performance rights	[i]	-	-	-	-
Shares issued under dividend reinvestment plan		-	-	4,855,802	3,523
Deferred income tax on capital raising cost		-	-	-	95
End of the financial year		**1,090,584,232**	**568,328**	**1,090,584,232**	**568,328**

[i] After balance date, 220,853 shares were issued as a result of the vesting of the equivalent number of performance rights in the year ended 30 June 2014.

[c] Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective from 1 July 1998, the Corporations legislation abolished the concept of authorised capital and par values. Accordingly, the Company does not have authorised capital nor a par value in respect of its issued shares.

[d] Share options

As at 30 June 2014, there were no options on issue (2013: nil) – see Note 21(b).

Share options carry no right to dividends and no voting rights.

[e] Performance rights

As at 30 June 2014, there were 1,611,835 performance rights on issue (2013: 904,908) – see Note 21(c).

[f] Capital management

The primary objective of the Group's capital management program is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or other securities.

No changes were made in the objectives, policy or processes for managing capital during the years ended 30 June 2014 and 30 June 2013.

Notes to the Consolidated Financial Report (continued)

	Notes	2014 $'000	2013 $'000
18. RESERVES			
Share based payments reserve	[a]	19,687	19,160
Net unrealised gains/(losses) reserve	[b]	1,676	(3,225)
Other reserves	[c]	(3,192)	(3,192)
		18,171	**12,743**

[a] Share based payments reserve

The share based payments reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

		2014 $'000	2013 $'000
Balance at the beginning of the year		19,160	18,875
Share based payments		527	285
Balance at the end of the year		19,687	19,160

[b] Net unrealised gains/(losses) reserve

This reserve records movement for available-for-sale financial assets to fair value and gains and losses on hedging instruments determined to be effective cash flow hedges.

		2014 $'000	2013 $'000
Balance at the beginning of the year		(3,225)	3,783
Net gains/(losses) on cash flow hedges		7,002	(9,798)
Deferred income tax on cash flow hedges		(2,101)	2,790
Balance at the end of the year		1,676	(3,225)

[c] Other reserves

This reserve is used to record the gain or loss arising from the sale or acquisition of non-controlling interests to or from third party investors.

		2014 $'000	2013 $'000
Balance at the beginning of the year		(3,192)	(3,192)
Movement during the period		-	-
Balance at the end of the year		(3,192)	(3,192)

19. RETAINED EARNINGS	Notes	2014 $'000	2013 $'000
Balance at the beginning of the year		600,978	487,162
Dividends paid during the period	23(a)	(21,812)	(43,526)
Net profit attributable to members of the Company		96,353	157,342
Balance at the end of the year		**675,519**	**600,978**

Notes to the Consolidated Financial Report (continued)

	Notes	2014 $'000	2013 $'000
20. EXPENDITURE COMMITMENTS			
[a] Exploration Expenditure Commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		1,159	890
• Later than one year but not later than five years		3,121	2,588
• Later than five years		2,221	2,658
		6,501	**6,136**
[b] Operating Lease Commitments	[ii]		
Minimum lease payments			
• Not later than one year		6,562	17,305
• Later than one year but not later than five years		3,026	8,258
• Later than five years		-	1,055
		9,588	**26,618**
[c] Finance Lease and Hire Purchase Commitments	[iii]		
Minimum lease payments			
• Not later than one year		7,637	20,571
• Later than one year but not later than five years		2,249	9,643
Total minimum lease payments		9,886	30,214
Future finance charges		(430)	(1,822)
		9,456	**28,392**
Total lease liability accrued for:			
Current			
Finance leases and hire purchase facility	14	7,294	19,188
Non-Current			
Finance leases and hire purchase facility	14	2,162	9,204
		9,456	**28,392**
[d] Property, plant and equipment commitments	[iv]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		6,504	244
• Later than one year but not later than five years		-	-
		6,504	**244**
[e] Contractual commitments	[v]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		57,268	71,299
• Later than one year but not later than five years		41,443	98,854
		98,711	**170,153**

[i] In order to maintain current rights to explore and mine the tenements at its various mines and projects, the Group is required to perform minimum exploration work to meet the expenditure requirements specified by the Department of Mines and Petroleum.

[ii] Operating leases relate to leases for office space with an initial term of 6 years and leases for machinery which have an average term of 1.9 years.

[iii] Lease liabilities have an average term of 3.5 years with, in certain cases, the option to purchase the asset at the completion of the lease term for a pre-agreed amount. The average discount rate implicit in the hire purchase arrangements is 7.43% pa (2013: 7.58% pa). Lease liabilities are secured by a charge over the leased assets.

[iv] The Group has contractual commitments to purchase property, plant and equipment relating principally to the purchase of mobile plant at Koolan Island.

[v] Amounts disclosed as contractual commitments relate primarily to contracts in respect of mining and transport that are not recognised as liabilities.

	Notes	2014 $'000	2013 $'000
21. SHARE-BASED PAYMENT PLANS			
(a) Recognised share-based payment expense			
Expense arising from equity-settled share-based payment transactions	2[e]	527	285

The share-based payment plans are described below. There have been no cancellations to any of the plans during 2014 and 2013.

(b) Employee option scheme

An employee option scheme has been established where the Company may, at the discretion of the Board, grant options over the ordinary shares of the Company. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of the Company. All Directors, officers and employees are eligible for this scheme. No options were issued during the year ended 30 June 2014. As at balance date, no options over unissued shares were on issue. Information with respect to the number of options granted and issued under the employee share scheme is as follows:

	2014		2013	
	No. of Options	Weighted average exercise price (cents)	No. of Options	Weighted average exercise price (cents)
Balance at beginning of year	-	-	2,000,000	110.0
- granted	-	-	-	-
- forfeited	-	-	(2,000,000)	(110.0)
- exercised	-	-	-	-
Balance at year end	**-**	**-**	**-**	**-**
Exercisable at year end	**-**	**-**	**-**	**-**

(c) Performance Rights Plan

The Company has established a Performance Rights Plan. Rights are granted at no cost to recipients and convert (vest) into ordinary shares on completion by the executive of minimum periods of continuous service and the satisfaction of specified performance hurdles related to the Company's Total Shareholder Return ("**TSR**") measured against a comparator group of companies over specified periods.

Notes to the Consolidated Financial Report (continued)

The vesting scale applicable to the Company's TSR performance is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

Information with respect to the number of performance rights granted and issued is as follows:

	2014 No. of Performance Rights	2013 No. of Performance Rights
Balance at beginning of year	904,908	271,318
- granted	952,600	633,590
- vested	(220,853)	-
- lapsed/forfeited	(24,820)	-
Balance at year end	**1,611,835**	**904,908**

The following table lists the inputs used for valuation of the performance rights issued under the Performance Rights Plan:

	2014	2013	2013
Accounting grant date	01-Jul-13	19-Sep-2012	01-Jul-2012
Share price at accounting grant date	$0.46	$0.90	$0.92
Risk free interest rate	2.90%	2.55%	2.35%
Volatility factor	50%	51%	51%
Value of Performance Right on effective grant date	$0.27	$0.90	$0.92

Notes to the Consolidated Financial Report (continued)

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2014 $'000	2013 $'000
Profits used in calculating basic and diluted earnings per share	96,353	157,342
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,090,584,232	1,088,961,197
Effect of dilution		
- Performance rights	220,853	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,090,805,085	1,088,961,197
Earnings per Share (cents per share):		
Basic earnings per share	8.84	14.45
Diluted earnings per share	8.83	14.45

Conversions, calls, subscriptions or issues after 30 June 2014

No options were outstanding at 30 June 2014. Since the end of the financial year, 220,853 shares have been issued upon vesting of performance rights granted by the Company. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the balance date and before the completion of this report.

	2014 $'000	2013 $'000

23. DIVIDENDS PAID AND PROPOSED

Declared and paid during the year:

(a) Dividends on ordinary shares:

	2014 $'000	2013 $'000
Final fully franked dividend for 2012: 2.0 cents per share	-	21,714
Interim fully franked dividend for 2013: 2.0 cents per share	-	21,812
Final fully franked dividend for 2013: 2.0 cents per share	21,812	-
	21,812	**43,526**

(b) Dividends not recognised at the end of the reporting period:

On 19 August 2014, the Company declared a final dividend on ordinary shares in respect of the 2013/14 financial year of $0.04 per share fully franked. The total amount of the dividend is $43,632,203. The dividend has not been provided for in the 30 June 2014 financial statements.

	2014 $'000	2013 $'000
(c) Franked dividends:		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	88,142	41,670
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	15,488	7,396
	103,630	**49,066**
The amount of franking credits available for future reporting periods:		
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(18,700)	(9,348)
	84,930	**39,718**

Tax rates

The tax rate at which paid dividends have been franked is 30%.

24. CONTINGENT LIABILITIES

1. The Group has a Performance Bonding facility drawn to a total of $57,221,000 (2013: $58,625,000). The performance bonds secure the Group's obligations relating to environmental matters and historical infrastructure upgrades.
2. A dispute has arisen between the Group and a third party regarding the amount of royalty payable in connection with mining operations at Extension Hill. The Company is in disagreement as to the amount of the royalty payable. The disputed portion of the third party claim is dependent upon future iron ore prices and could be valued at approximately $2,500,000 per year over the life of the mine.
3. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

Notes to the Consolidated Financial Report (continued)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

[a] Compensation of Key Management Personnel

	2014 $	2013 $
Short-term	3,587,635	3,592,171
Post employment	170,811	182,865
Long-term	3,169	1,917
Share-based payment	534,059	277,592
Termination payment	-	-
	4,295,674	**4,054,545**

[b] Loans to Specified Key Management Personnel

There were no loans to key management personnel during the year.

[c] Other Transactions and Balances with Key Management Personnel

There were no other transactions and balances with key management personnel during the year.

26. RELATED PARTY DISCLOSURE

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the year Mr Li and Mr Chen were directors of Shougang Concord International Trading Pty Ltd (**SCIT**), and Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**).

The following sale agreements are in place with director-related entities:

- The sale to SCIT of 80% of iron ore from Tallering Peak's production over the life of mine after 0.65 million (+/-10%) wet metric tonnes ("**WMT**") per year is provided to other customers.
- The sale to subsidiary of APAC of 20% of iron ore from Tallering Peak's production over the life of mine after 0.65 million (+/-10%) WMT per year is provided to other customers.
- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production over the life of mine.

Pursuant to these sales agreements, during the financial year, the Group:

- Sold 1,024,088 WMT (2013: 1,180,188 WMT) of iron ore to APAC; and
- Sold 4,205,210 WMT (2013: 3,360,446 WMT) of iron ore to SCIT.

Notes to the Consolidated Financial Report (continued)

Amounts recognised at the reporting date in relation to director-related entity transactions:

	2014 $'000	2013 $'000
Assets and Liabilities		
Current Assets		
Trade receivables – APAC	6,562	2,019
Trade receivables – SCIT	16,609	4,267
Total trade receivables	23,171	6,286
Total Assets	**23,171**	**6,286**
Current Liabilities		
Trade payables – APAC	-	(1)
Trade payables – SCIT	-	(11)
Total trade payables	-	(12)
Total Liabilities	**-**	**(12)**
Revenues and Expenses		
Sale of goods – APAC	87,683	104,721
Sale of goods – SCIT	418,482	361,204
Total Sale of Goods	**506,165**	**465,925**

Apart from the above, there are no director-related entity transactions other than those specified in Note 25.

27. AUDITOR'S REMUNERATION

Amounts received or due and receivable by EY for:

▪ An audit or review of the financial report of the entity and any other entity in the consolidated entity	247,200	254,395
▪ Other services in relation to the entity and any other entity in the consolidated entity	4,000	13,285
	251,200	**267,680**

28. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the executive management team in assessing performance and in determining the allocation of resources.

All operating segments have been aggregated to form one reportable segment representing the entity as a whole. The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics and the segments are similar in each of the following respects:

[i] the nature of the product mined and sold, being hematite iron ore;
[ii] the nature of the production process which involves mining and crushing of iron ore;
[iii] the similarity of customers across the segments; and
[iv] the similarities of the shipping method used to distribute the iron ore to market.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements. During the year ended 30 June 2014, revenue received from the sale of iron ore comprised purchases by the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2014 $'000
# 1	415,322
# 2	155,456
# 3	107,985
# 4	87,529
Other	131,512
	897,804

During the year ended 30 June 2013, revenue received from the sale of iron ore comprised purchases by the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2013 $'000
# 1	351,127
# 2	136,398
# 3	113,087
# 4	107,248
Other	135,951
	843,811

Revenue from external customers by geographical location is based on location of the customer. In the 2014 financial year, approximately 2% (2013: 2%) of the iron ore sales revenue was sold on a mine gate basis to a local buyer, with the vast majority of the balance shipped to China.

All segment assets are located within Australia.

29. EVENTS AFTER THE BALANCE SHEET DATE

On 19 August 2014, the Company declared a final dividend on ordinary shares in respect of the 2013/14 financial year of $0.04 per share fully franked. The total amount of the dividend is $43,632,203. The dividend has not been provided for in the 30 June 2014 financial statements.

As at the date of this report there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

Notes to the Consolidated Financial Report (continued)

30. FINANCIAL INSTRUMENTS

[a] Financial risk management objectives

The Group's principal financial instruments, other than derivatives, comprise bank and equipment finance arrangements, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group also enters into derivatives transactions, principally forward currency contracts, and from time to time also enters into foreign currency collar options and interest rate swaps. The purpose is to manage the currency and interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, commodity price risk and liquidity risk. The Board reviews and agrees management's recommended policies for managing each of these risks, as summarised below.

[b] Foreign currency risk

The Group is exposed to the risk of adverse movement in the A$ compared to the US$ as its iron ore sales receipts are predominantly denominated in US$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the A$/US$ exchange rate and to protect against adverse movements in this rate.

The Group recognises derivative financial instruments at fair value at the date the derivative contract is entered into. The Group applies hedge accounting to forward foreign currency contracts that meet the criteria of cash flow hedges.

During the year ended 30 June 2014, the Group delivered into US dollar foreign exchange forward contracts totalling US$244,000,000 at a weighted average exchange rate of A$1.00/US$0.9221.

At 30 June 2014, the notional amount of the foreign exchange hedge book totalling US$81,000,000 comprises the following:

- Forward exchange contracts totalling US$81,000,000 due in the 12 months ending 30 June 2015 and with a weighted average contract rate of A$1.00/US$0.9118.

As at 30 June 2014, the mark-to-market unrealized loss on the total outstanding US dollar foreign exchange hedge book of US$81,000,000 was A$2,395,348.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group uses the following derivative instruments to manage foreign currency risk:

Instrument	Type of Hedging	Objective
Forward exchange contracts	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate.

Notes to the Consolidated Financial Report (continued)

[i] Foreign exchange contracts – cash flow hedges

The Group has entered into forward exchange contracts at the reporting date designed as a hedge of anticipated future receipts that will be denominated in US$.

At balance date, the following foreign exchange contracts were outstanding:

	2014				2013			
	Average Contract Rate A$/US$	US$ $'000	Contract Value A$ $'000	Fair Value A$ $'000	Average Contract Rate A$/US$	US$ $'000	Contract Value A$ $'000	Fair Value A$ $'000
Forward Exchange Contracts								
- within one year	0.9118	81,000	88,839	2,395	0.9860	55,000	55,781	(4,607)
Total	**0.9118**	**81,000**	**88,839**	**2,395**	**0.9860**	**55,000**	**55,781**	**(4,607)**

		2014 $'000	2013 $'000
Current assets	(Note 8)	2,395	-
Current liabilities	(Note 15)	-	(4,607)
Total forward exchange contracts		2,395	(4,607)

	2014 $'000	2013 $'000
Movement in forward exchange contract cash flow hedge reserve:		
Opening balance	(4,607)	5,191
Change in fair value of cash flow hedges net of tax	6,837	(18,860)
Transferred from / (to) revenue in Income Statement net of tax (Note 2[a])	165	9,062
Closing balance	2,395	(4,607)
Cash flow hedge ineffectiveness recognised immediately in profit and loss	-	-

[ii] Foreign currency sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 10% change in the A$ against the US$ from the spot rates at 30 June 2014 and 30 June 2013 due to changes in the fair value of monetary assets and liabilities.

	Net Profit		Other Comprehensive Income	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
10% appreciation in the A$ spot rate with all other variables held constant	(2,559)	(2,268)	7,148	601
10% depreciation in the A$ spot rate with all other variables held constant	3,128	2,772	(5,010)	(7,907)

Notes to the Consolidated Financial Report (continued)

The sensitivity analysis of the Group's exposure to the foreign currency risk at balance date has been determined based on the change in value due to foreign exchange movement based on exposures at balance sheet date. A positive number indicates an increase in profit and other comprehensive income.

At balance date, the Group's exposure to foreign currency risks on financial assets and financial liabilities, excluding derivatives, are as follows:

		2014 $'000	2013 $'000
Financial Assets			
Cash	(included within Note 4)	2,227	6,536
Trade receivables	(included within Note 6)	38,009	29,146
Financial Liabilities			
Trade payables	(included within Note 13)	(22)	(43)
Net exposure		**40,214**	**35,639**

[c] Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's equipment financing obligations, cash and cash equivalents and term deposits.

The Group's policy is to manage its interest costs using a mix of fixed and variable rate debt.

The Group regularly analyses its interest income rate exposure. Within this analysis, consideration is given to potential renewals of existing positions and alternative financing arrangements.

At balance date, the Group's exposure to interest rate risks on financial assets and financial liabilities was as follows:

Notes to the Consolidated Financial Report (continued)

CONSOLIDATED	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount per balance sheet		Weighted Average Interest	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 %	2013 %
i) ***Financial assets***												
Cash	55,466	47,014	-	-	-	-	5	4	**55,471**	**47,018**	1.58	1.12
Short-term deposits	-	-	15,000	15,000	-	-	-	-	**15,000**	**15,000**	3.50	3.78
Term deposits	15,000	-	434,300	314,000	-	-	-	-	**449,300**	**314,000**	3.57	4.00
Trade and other receivables	-	-	-	-	-	-	53,004	47,301	**53,004**	**47,301**	-	-
Derivatives	-	-	-	-	-	-	2,395	-	**2,395**	-	-	-
Total financial assets	**70,466**	**47,014**	**449,300**	**329,000**	**-**	**-**	**55,404**	**47,305**	**575,170**	**423,319**		
ii) ***Financial liabilities***												
Trade and other payables	-	-	-	-	-	-	125,201	105,736	**125,201**	**105,736**	-	-
Derivatives	-	-	-	-	-	-	-	4,607	**-**	**4,607**	-	-
Lease liabilities	-	-	-	1,197	-	-	-	-	**-**	**1,197**	-	8.29
Hire purchase	-	-	7,294	17,991	2,162	9,204	-	-	**9,456**	**27,195**	7.43	7.58
Total financial liabilities	**-**	**-**	**7,294**	**19,188**	**2,162**	**9,204**	**125,201**	**110,343**	**134,657**	**138,735**		

Notes to the Consolidated Financial Report (continued)

[i] Interest rate sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 1% change in interest rates at 30 June 2014 and 30 June 2013.

	Net Profit		Other Comprehensive Income	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
• 1% increase in interest rate with all other variables held constant	3,250	2,303	-	-
• 1% decrease in interest rate with all other variables held constant	(3,250)	(2,303)	-	-

The sensitivity analysis of the Group's exposure to Australian variable interest rates at balance date has been determined based on exposures at balance sheet date. A positive number indicates an increase in profit and equity.

[d] Credit risk

The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to forward exchange contracts is the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the Group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers and by the use of advance payments and letters of credit which effectively protect at least 90% of receivable amount at the time of sale.

Credit risk from balances with banks and financial institutions is managed in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties with an acceptable Standard & Poors short term credit rating and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. No material exposure is presently considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

There are no significant concentrations of credit risk within the Group.

[e] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sells iron ore to its customers. The Group's sales revenue is derived under long term sales contracts for the life of mine at each of its operations. The pricing mechanism in these contracts reflects a market based clearing index. The pricing mechanism adopts the Platts Iron Ore Index Price ("**Platts Index**") which is published daily for iron ore "fines" with Fe content ranging from 52% to 65% and is quoted on a US$ per dry metric tonne "Cost and Freight" North China basis. The price to be paid by Mount Gibson's customers is based on the applicable Platts Index for the type and quality of ore delivered and reflects the average Platts Index for the preceding or the actual calendar month of the iron ore shipment. The average monthly Platts Index is converted to a "Free On Board" price per dry metric tonne by deducting the calculated shipping freight costs utilising corresponding shipping average monthly indices for Panamax vessels from the ports of Geraldton and Koolan Island to China. "Lump" iron ore receives a premium to the published Platts Index "fines" price and is determined every 1 to 6 months depending on the relevant sales contract.

Revenue on sales is recognised based on provisional priced sales and is subject to final adjustments between 30 to 120 days after shipment and delivery. There are limited available financial instruments available to hedge the iron ore price and the Group has yet to enter into such arrangements.

[f] Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash reserves and equipment financing arrangements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group's capital risk management objectives are to safeguard the business as a going concern, to provide appropriate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and debt).

Mount Gibson does not have a target debt/equity ratio but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

At 30 June 2014, the Group had unutilised standby credit facilities totalling $7,779,000 (2013: $6,375,000). Refer Note 14.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the balance sheet.

	30 June 2014					30 June 2013				
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities										
Trade and other payables	125,201	-	-	-	**125,201**	105,736	-	-	-	**105,736**
Lease liabilities	-	-	-	-	**-**	338	931	-	-	**1,269**
Hire purchases	5,556	2,082	2,248	-	**9,886**	11,336	7,964	9,643	-	**28,943**
Derivatives – Gross Inflow	(91,252)	-	-	-	**(91,252)**	(51,200)	-	-	-	**(51,200)**
Derivatives – Gross Outflow	88,857	-	-	-	**88,857**	55,807	-	-	-	**55,807**
	128,362	**2,082**	**2,248**	**-**	**132,692**	**122,017**	**8,895**	**9,643**	**-**	**140,555**

Notes to the Consolidated Financial Report (continued)

[g] Fair value of financial assets and financial liabilities

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – valuation techniques (for which the lowest level of input that is significant to the fair value measurement is unobservable)

The fair value representing the marked to market value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of derivative financial instruments ($2,395,000) are determined using the Level 2 method requiring fair value to be calculated using observable market inputs. The Group's fair values under the Level 2 method are sourced from an independent valuation by the Group's treasury advisors. The valuation techniques use prevailing market inputs sourced from Reuters/Bloomberg to determine an appropriate mid price valuation.

The fair values of cash, short-term deposits, trade and other receivables, trade and other payables and other interest-bearing borrowings approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 30 June 2014 are shown below.

	2014		2013	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets - current				
Cash	55,471	55,471	47,018	47,018
Short-term deposits	15,000	15,000	15,000	15,000
Term deposits	449,300	449,300	314,000	314,000
Trade debtors	41,802	41,802	37,705	37,705
Other receivables	11,202	11,202	9,596	9,596
Derivatives	2,395	2,395	-	-
	575,170	575,170	423,319	423,319
Financial liabilities – current				
Trade and other payables	125,201	125,201	105,736	105,736
Lease and hire purchase liabilities	7,294	7,294	19,188	19,188
Derivatives	-	-	4,607	4,607
	132,495	132,495	129,531	129,531
Financial liabilities – non current				
Lease and hire purchase liabilities	2,162	2,162	9,204	9,204
	2,162	2,162	9,204	9,204
Net financial assets	**440,513**	**440,513**	**284,584**	**284,584**

Notes to the Consolidated Financial Report (continued)

31. PARENT ENTITY INFORMATION

	2014 $'000	2013 $'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	10,388	454
Total assets	672,723	659,811
Current liabilities	444	26,466
Total liabilities	246,320	209,990
Issued capital	568,328	568,328
Accumulated losses	(161,612)	(137,667)
Share based payments reserve	19,687	19,160
Total Shareholder's Equity	426,403	449,821
Net profit/(loss) after tax of the parent entity	(2,132)	24,404
Total comprehensive income/(loss) of the parent entity	(2,132)	24,404

[b] Details of any guarantees entered into by the parent entity

There are cross guarantees given by Mount Gibson Iron Limited in relation to the debts of its subsidiaries as described in Note 9.

The parent entity has further provided bank guarantees in respect of obligations to various authorities. Refer to Note 14.

[c] Details of any contingent liabilities of the parent entity

The parent entity had contingent liabilities as at reporting date as set out in Note 24. For information about guarantees given by the parent entity, refer [b] above.

Mount Gibson Iron Limited guarantees the performance of Mount Gibson Mining Limited's obligations to Aurizon entities under the Transport Access Agreement made on 26 June 2008 as amended and restated on 30 June 2009. In accordance with this agreement, Mount Gibson Mining Limited agrees to reimburse Aurizon for track access charges properly due and payable to Brookfield, the rail infrastructure owner.

[d] Details of any contractual commitments by the parent entity for the acquisition of property, plant and equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

[e] Tax Consolidation

The Company and its 100% owned entities have formed a tax consolidated group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Mount Gibson Iron Limited.

Notes to the Consolidated Financial Report (continued)

Directors' Declaration

In accordance with a resolution of the directors of Mount Gibson Iron Limited, I state that:

1. In the opinion of the Directors:

   a. the financial statements, 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 financial position of the Group as at 30 June 2014 and of its performance for the year ended on that date; and

      ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and

   b. the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and

   c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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 2014.

Signed in accordance with a resolution of the directors.

SENG-HUI LEE
Chairman

Sydney, 19 August 2014

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Building a better working world

Independent auditor's report to the members of Mount Gibson Iron Limited

Report on the financial report

We have audited the accompanying financial report of Mount Gibson Iron Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Mount Gibson Iron 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 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Peter McIver
Partner
Perth
19 August 2014