Mount Gibson Iron Limited
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ASX ANNOUNCEMENT

19 August 2015

Results for 2014-15 Financial Year

Key Points

- Full year sales revenue of **A$325 million** (FY2014: A$898 million) on iron ore sales of **5.8 million wet metric tonnes**^ (Mwmt) (FY2014: 9.7 Mwmt).
- Underlying gross loss* of **A$13.9 million** before impairments (FY2014: A$173.0 million gross profit).
- Reported net loss after tax of **A$911.4 million** (FY2014: A$96.4 million profit), after non-cash impairment charges of **A$945.2 million** and a non-cash income tax benefit of A$99.9 million.
- Cash and term deposits of **A$334 million** at 30 June 2015 (30-June-2014: A$520 million).
- Total Cost of Goods Sold (COGS) of **A$62/wmt** Free on Board (FOB), including non-cash costs, royalties and before impairments (FY2014: A$75/wmt).
- Conditional confirmation received that insurance policies will respond to the seawall failure and initial partial progress payment of A$1.85 million received from insurers in July.
- Full year operating cashflow of **A$35 million** from Extension Hill reflecting significant cost reductions.
- Cost reduction program to deliver further savings, with corporate and administration costs reduced by over **50%** in the year, and targeted to fall a further 20% below **A$1.0 million/month** in the December half.
- FY2016 sales guidance of **4.0 to 4.5 million tonnes** at all-in cash cost** of **A$50-54/wmt FOB**.
- Delineation of Iron Hill Mineral Resource confirms life extension potential at Extension Hill mine.

** From continuing operations. 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 unaudited.*
*** All-in cash costs are reported FOB and include all operating, capital, royalties, closure and head office costs.*
^Inclusive of sales from discontinued operations.

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "The year was clearly a very challenging and disappointing one for Mount Gibson, with the large fall in iron ore prices and impacts of the seawall failure at Koolan Island resulting in very significant financial losses for the Company and all shareholders.

"However, our decisive and on-going cost reduction and optimisation initiatives have been critical in helping to stabilise the business in the latter part of the year, and in turn preserve substantial financial capability and flexibility to adapt to the difficult conditions.

"These characteristics are extremely important as we pursue improved returns on all of our assets while investigating new resource development opportunities.

"With Extension Hill also continuing to be a low-cost cashflow generator, and significant optionality value in our resource base, Mount Gibson can look to the future with renewed optimism."

Results for 12 months ended 30 June 2015 compared with the prior corresponding 12 month period:		**12 months ended 30 June 2015**	**12 months ended 30 June 2014**
Ore tonnes mined^	*wmt (mill)*	5.9	7.9
Ore tonnes sold^	*wmt (mill)*	5.8	9.7
Average realised price, all products^ (FOB)	*A$/wmt sold*	55.6	92.5
Consolidated sales revenue^	*A$ mill*	324.6	898.0
Continuing Operations (Extension Hill & Koolan Island):			
Sales revenue	*$ mill*	315.6	660.2
Interest income	*A$ mill*	12.2	15.5
Cost of goods sold	*A$ mill*	(341.7)	(502.7)
Underlying* gross profit/(loss) before impairments	*A$ mill*	**(13.9)**	**173.0**
Impairment of ore inventories	*A$ mill*	(3.4)	-
Gross profit/(loss)	*A$ mill*	**(17.3)**	**173.0**
Admin and other expenses/income	*A$ mill*	(24.4)	(19.9)
Impairments**	*A$ mill*	(935.7)	-
Stock obsolescence	*A$ mill*	(9.0)	-
Finance costs	*A$ mill*	(2.9)	(5.6)
Profit/(loss) before tax from continuing operations	*A$ mill*	**(989.4)**	147.5
Income tax benefit/(expense)	*A$ mill*	99.9	(57.3)
Profit/(loss) after tax from continuing operations	*A$ mill*	**(889.5)**	**90.2**
Discontinued Operations (Tallering Peak):			
Profit/(loss) after tax from discontinued operations	*A$ mill*	(21.9)	6.2
Net profit/(loss) after tax	*A$ mill*	**(911.4)**	**96.4**

^ Shown inclusive of the discontinued Tallering Peak operations. Refer the attached financial statements for further details.
** 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 unaudited.*
*** Impairment of mine properties, consumables inventories, property/plant/equipment and deferred acquisition, exploration and evaluation costs.*

Table 1 – Financial Performance

Earnings Summary

Mount Gibson Iron Limited (**Mount Gibson**) recorded a net loss after tax of A$911.4 million for the year to 30 June 2015 on total sales revenue of A$325 million and ore sales of 5.8 million wet metric tonnes (**wmt**).

The result includes non-cash impairments totalling A$945.2 million in light of depressed iron ore prices and the failure of the Main Pit seawall at Koolan Island in November 2014. These comprised impairments of iron ore inventories (by A$3.4 million for continuing operations and by A$6.1 million for discontinued operations), consumables inventories (by A$0.3 million), mine properties (by A$712.9 million), deferred acquisition, exploration and evaluation assets (by A$19.2 million) and property, plant and equipment (by A$203.2 million). The impairments also resulted in the Company recording a non-cash income tax benefit relating to its continuing operations of A$99.9 million, which was net of the reversal of a A$46 million deferred tax asset related to the now-repealed Mineral Resources Rent Tax (MRRT). The majority of these impairments were previously reported in the Company's interim financial results for the December half released on 17 February 2015. An additional impairment charge totalling A$25 million relating to Extension Hill was recorded in the June half.

Excluding these impairments, Mount Gibson reported an underlying gross loss of A$13.9 million from continuing operations, compared with an underlying A$173.0 million gross profit in the prior year.

Realised Pricing

At the beginning of FY2015 the iron ore price was US$95/dmt for the 62% Fe Platts Index and by the end of FY2015 this had dropped to US$59/dmt, a reduction of nearly 40%. During the period the price touched a low of US$47/dmt in April 2015. Reflective of these difficult market conditions, Mount Gibson achieved an average realised price for standard Direct Shipping Ore ("**DSO**") fines for the year of US$54/dmt Free On Board ("**FOB**"), after penalties and provisional pricing adjustments. This compared with an average of US$95/dmt in 2013/14. The weighted average realised price for all products sold, including low grade DSO from Tallering Peak, mine–gate sales from Extension Hill and sales of Rizhao Special Product and Acacia East material from Koolan Island, was A$56/wmt FOB in 2014-15, compared with A$92/wmt FOB in the prior year.

Cashflow Summary

These very difficult market conditions had a devastating effect on the cash flow generating capacity of the business and, when combined with the unexpected failure of the Koolan Main Pit seawall, the Company experienced extremely difficult operating conditions and consequently suffered a material reduction in its cash reserves from A$520 million at 30 June 2014 to A$334 million at year end, as summarised below:

FY2015 Cash Movement Summary	**A$m**	
Opening cash balance at 30 June 2014		**520**
Dividend paid	(44)	
Interest received	12	
Corporate & Projects	(24)	
Exploration	(3)	
Redundancies and accrued benefits	(17)	
Extension Hill cashflow (after royalties and capex)	35	
Koolan Island operating cashflow (after royalties, before capex)	20	
Koolan Island capex - mobile mining fleet and fixed assets	(45)	
Koolan Island capex - footwall ground stabilisation	(3)	
Koolan Island capex - waste stripping	(83)	
Pay-down of Koolan Island suppliers/creditors	(26)	
Seawall failure – initial repair works and insurance claim costs	(3)	
Other	(5)	**(186)**
Closing cash balance at 30 June 2015		**334**

Table 2 – Cash Movement Summary

A key requirement of the Company's prior business strategy to expand Koolan Island to a rate of 4Mtpa was to increase the waste stripping along with a mining fleet replacement programme. This cash expenditure programme saw A$83 million invested in planned capitalised waste stripping, A$45 million invested in mining fleet and mine development, and a further A$3 million on footwall ground stabilisation in the Main Pit. All this expenditure was incurred prior to the seawall failure event in late October 2014.

The failure of the seawall necessitated significant one-off restructuring and mitigation costs. The resulting suspension of ore sales from November 2014 meant Koolan Island incurred almost a full quarter of costs with limited ore sales. The subsequent requirement to put the mine site to care and maintenance status, while options for its long term future are assessed, also resulted in significant costs, including approximately A$26 million to clear the majority of Koolan Island's outstanding trade creditors and suppliers.

Mount Gibson also incurred one-off costs associated with the restructuring of its broader business in response to the substantial fall in iron ore prices. Total redundancy payments (including accrued entitlements) incurred by the Company for the year amounted to A$17 million, including at Koolan Island, the Perth corporate office and those associated with the final closure of the Tallering Peak mine in the September 2014 quarter. Corporate costs totalled A$24 million for the year, including spending on business development (including the Koolan Island Logistics Base) and activities related to the Koolan Island seawall insurance claim, and exploration expenditure totalled A$3 million.

While costs associated with Koolan Island and general business restructuring accounted for the bulk of the above cash consumption, the Company's Extension Hill mine remained cash positive over the year despite the significant decline in prices, reflecting the Company's strong focus on business efficiency. Extension Hill generated positive operating cashflow of A$35 million for the year, reflecting a 15% decline in all-in site cash costs (including royalties and capex, but before corporate cost allocations) to average A$44/wmt FOB in the June quarter.

Group Sales Guidance and Cash Costs Profile

Mount Gibson expects to at least maintain Extension Hill's all-in site cash costs in line with the strong June quarter performance, and for the site to remain cashflow positive subject to there being no significant and sustained further deterioration in market conditions during the year. As previously reported[1], Mount Gibson's guidance for FY2016 is for total iron ore sales of 4.0-4.5 Mwmt. Based on this range and cost estimates, the Company expects its all-in group cash costs, inclusive of all site operating and capital costs, royalties, closure and head office costs, to be in the range of A$50-54/wmt, equivalent to US$37-40/wmt at an exchange rate of A$1.00/US$0.74.

Looking Forward - Corporate Strategy

As previously reported, the Board has undertaken a thorough review of the existing business in light of the significant events of FY2015 and the uncertain iron ore market outlook. The Board's strategic objective continues to be the creation of long term value for shareholders through investment in exploration, development, and efficient operational extraction of mineral resources.

The Board's FY2016 corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash for value-accretive investments.

The Board has determined the following key business objectives in the FY2016 financial year:

- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business through further supplier cost reductions and productivity gains. During FY2015, cost improvement initiatives reduced total COGS, which include royalties and all non-cash costs but exclude impairments, to A$62/wmt FOB compared with A$75/wmt in the previous year. Corporate costs were reduced by more than 50% over the year to A$1.2 million/month in June, and are targeted to fall below A$1 million per month during FY2016. Site cash costs at Extension Hill were also reduced by 15% over the year to average A$44/wmt FOB in the June 2015 quarter.
- **Extension Hill** - operate the mine at an increased output rate of 3.5–4.0 Mtpa and progress development of the new Iron Hill Mineral Resource[2] to extend the operational life of the Extension Hill mine beyond the current end of the reserve life in late 2016[3].
- **Koolan Island** – recommence mining of 0.7Mt of remnant ore in the Acacia East satellite pit in the first half of FY2016 and thereafter place the site on care and maintenance, and undertake the detailed work required to investigate the redevelopment potential of the Koolan Island Main Pit orebody[3].
- **Koolan Island seawall insurance claim** - progress and finalise the insurance claim. Constructive discussions with the Company's insurers progressed during the June half. This included a conditional confirmation that the Company's existing policies would respond, subject to the insurers' further reviews. The majority of insurers agreed to make an initial early-stage

[1] Refer June Quarter 2015 Activities Report dated 15 July 2015
[2] Refer ASX release – Iron Hill Mineral Resource – dated 17 August 2015
[3] Refer June Quarter 2015 Activities Report dated 15 July 2015 for details of the FY2016 Extension Hill and Koolan Island production plans.

progress payment on account of approximately A$1.85 million, which was received in July. However, the insurers have reserved their rights with respect to making a final determination. Mount Gibson is continuing to progress its claim and will provide further updates as appropriate.

- **Koolan Island Logistic Base (KILB)** – progress the business case with end-users and formalise the commercial arrangements with partner Qube Holdings Limited while ensuring the capability for future re-start of mining operations.
- **Treasury returns** - increase the yield on the Company's cash reserves.
- **Growth projects** - continuation of the search for business development opportunities in the resources sector.

Dividend

In light of currently depressed iron ore prices, the impacts of the failure of the Main Pit seawall at Koolan Island, the Company's financial results and its desire to preserve flexibility for future growth options, no dividend has been declared for the 2015 financial year. The Company will continue to assess future dividend payments on a six monthly basis.

The Appendix 4E and financial statements are attached.

For further information:

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Mount Gibson will host an analysts/institutions teleconference at **11.00am AEST** on **19 August 2015**. 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).

APPENDIX 4E

MOUNT GIBSON IRON LIMITED
30 JUNE 2015 ANNUAL FINANCIAL STATEMENTS

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

18 August 2015

Current Reporting Period:	Year ended 30 June 2015
Previous Corresponding Period:	Year ended 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities (excluding discontinued operations)	Down 51% to	$327.9
Profit/(Loss) from continuing operations before tax	Down 771% to	($989.4)
Net profit/(loss) after tax attributable to members of the Company	Down 1046% to	($911.4)

DIVIDENDS

Given the presently depressed iron ore price environment, the impacts of the recent failure of the Main Pit seawall at the Group's Koolan Island operation, and the Company's desire to preserve its flexibility for future growth options, no final dividend has been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	30 June 2015	30 June 2014
Net tangible assets excluding Mine Properties	*A$ mill*	$302.4	$606.3
Fully paid ordinary shares on issue at Balance Date	*#*	1,090,805,085	1,090,584,232
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	27.7 cents	55.6 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 2015 together with any public announcements made by Mount Gibson Iron Limited during and after the year ended 30 June 2015 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2015

Financial Report

For the year ended 30 June 2015

Directors' Report

Your Directors submit their report for the year ended 30 June 2015 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

Lee Seng Hui 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 (H.K.) 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.

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 (H.K.) Limited and Air Change International Limited.

Li Shao Feng 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, and an executive director of BeijingWest 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.Min.Eng., FAICD, FAusIMM
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 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.

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 30 years of international corporate experience, including holding the positions of General Manager Finance at Stockland Limited, Chief Financial Officer of GrainCorp Limited, and Wizard Mortgage Corporation. He was also Chief Executive Officer of ASX-listed King Island Scheelite Limited and a former Director of CPA Australia Limited. Mr Bird is currently a Director of ASX-listed companies Pacific American Coal Limited, Rawson Resources Limited and Sovereign Gold Company 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 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 following 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 Calibre Group Limited.

Andrew Ferguson
Alternate Director to Lee Seng Hui

Mr Ferguson was appointed Alternate Director to Lee Seng Hui on 24 September 2012. 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.

COMPANY SECRETARY

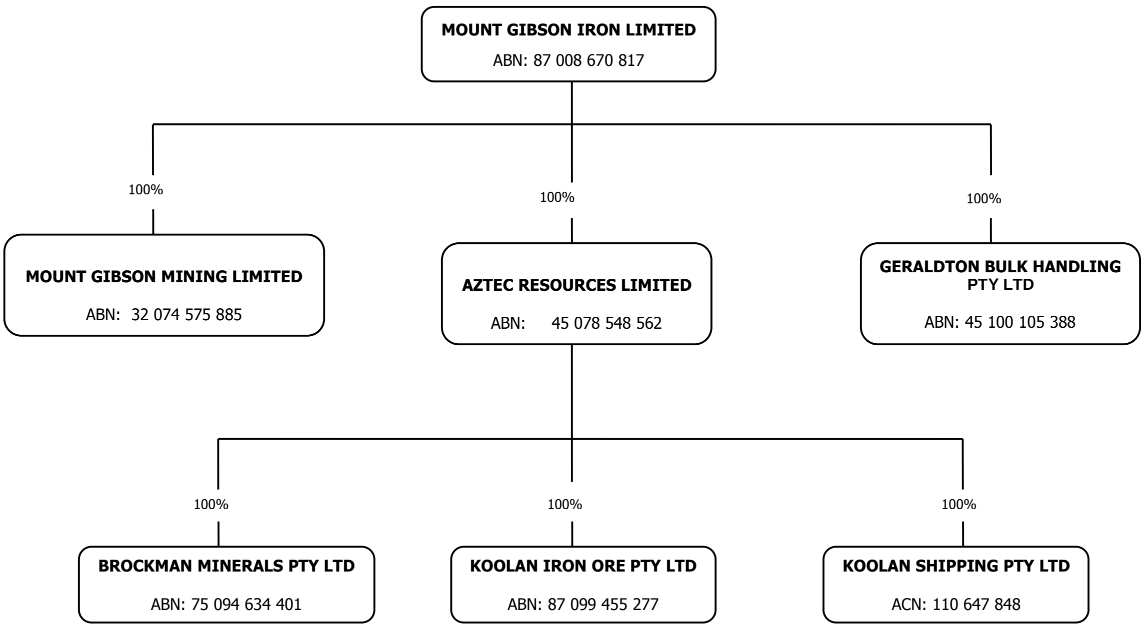
David Stokes B.Bus, LLB, ACIS
Company Secretary & General Counsel

Mr Stokes was appointed Company Secretary and General Counsel on 2 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 18 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 2015 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 Extension Hill mine site 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 213 employees (excluding contractors) as at 30 June 2015 (2014: 668 employees).

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2014/15 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 2014/15 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 2015 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission ("**ASIC**").

Overview of the 2014/15 Financial Year

The Group's financial performance for the year ended 30 June 2015 was severely impacted by a steady and significant decline in the iron price and by the unexpected failure of the Koolan Island Main Pit seawall in the December 2014 quarter.

At the beginning of the financial year, the iron ore price was US$95 per dry metric tonne ("**dmt**") for the 62% Fe fines Platts Index and by the end of the financial year this had fallen to US$59/dmt, a reduction of 40%. The price touched a low of US$47/dmt in April 2015. The lower prices had a devastating effect on the cash flow generating capacity of the Group's business and, when combined with the Koolan Main Pit seawall failure, the Company experienced extremely difficult operating conditions and consequently suffered a material reduction in its cash reserves.

Group ore sales totalled 5.8 million wet metric tonnes ("**wmt**") during the financial year, a decrease of 40% from the record sales volume achieved in the preceding year. Total sales revenue, including Tallering Peak (discontinued operation), declined 63% to $324,631,000, while year-end cash reserves, including term deposits, decreased by $185,768,000 to $334,003,000 at 30 June 2015.

The Company's Extension Hill operation achieved record sales for the year totalling 3.4 million wmt, an increase of 12% over the previous year. Mining at the Tallering Peak mine was completed at the end of the previous financial year following ten years of successful operation, with the final ore sales completed in the December 2014 quarter. Sales from Koolan Island, while running at an annualised rate of 3.7 million wmt per year in the September 2014 quarter, reduced significantly following the Main Pit seawall failure and the retreat of mining to only the Acacia East satellite pit.

Mount Gibson achieved an average realised price for standard Direct Shipping Ore ("**DSO**") fines for the year of US$54/dmt Free On Board ("**FOB**"), after penalties and provisional pricing adjustments. This compared with an average of US$95/dmt in 2013/14.

Through the year, substantial reductions were achieved in both operating and head office costs. These reductions were obtained through productivity improvements, supplier cost savings and workforce reductions. The Company's total workforce reduced by approximately 68% since June 2014, from 668 employees to 213 at 30 June 2015.

Strong cost reduction efforts have resulted in the Company's average cost of goods sold (including non-cash costs but before impairments) reducing by 19% from $80/wmt FOB in 2013/14 to $65/wmt FOB in 2014/15. This ongoing cost reduction focus is central to Mount Gibson's approach to maximising cash flow and profitability in a volatile commodities market.

Operating Results for the Financial Year

The summarised operating results for the Group for the year ended 30 June 2015 are tabulated below. These reflect significant impairment expenses totalling $945,214,000 as a result of depressed iron ore prices and the failure of the Koolan Island Main Pit seawall in the period.

Year ended:		30 June 2015*	30 June 2014*	30 June 2013	Restated** 30 June 2012	30 June 2011
Net profit/(loss) before tax	*$'000*	**(1,008,505)**	**163,698**	**128,440**	**224,621**	**342,888**
Taxation benefit/(expense)	*$'000*	97,083	(67,345)	28,902	(62,605)	(103,388)
Net profit/(loss) after tax	*$'000*	**(911,422)**	**96,353**	**157,342**	**162,016**	**239,500**
Earnings/(loss) per share	*cents/share*	(83.56)	8.84	14.45	14.96	22.14

* The figures for net profit/(loss) before tax and taxation benefit/(expense) for the years ended 30 June 2014 and 2015 are shown inclusive of discontinued operations. Refer the attached financial statements for further details.

** 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 2014/15 financial year are tabulated below:

Consolidated Group	Unit	Sept Quarter 2014	Dec Quarter 2014	Mar Quarter 2015	Jun Quarter 2015	2014/15	*2013/14*
Mining & Crushing							
Total waste mined	*kwmt*	9,016	5,761	1,267	587	**16,630**	*30,863*
Total ore mined#	*kwmt*	1,920	1,299	1,381	1,276	**5,876**	*7,927*
Total ore crushed	*kwmt*	1,862	1,040	1,106	1,386	**5,394**	*8,996*
Shipping/Sales*							
Standard DSO Lump**	*kwmt*	643	586	573	906	**2,708**	*3,567*
Standard DSO Fines	*kwmt*	1,074	450	500	758	**2,783**	*3,992*
Low Grade DSO**	*kwmt*	-	58	-	-	**58**	*1,377*
RSP	*kwmt*	146	142	-	-	**287**	*768*
Total	*kwmt*	1,863	1,236	1,073	1,664	**5,836**	*9,703*
Ave. Platts 62% Fe CFR northern China price	*US$/dmt*	**90**	**74**	**62**	**58**	**72**	***123***
MGX Free on Board (FOB) average realised fines price^	*US$/dmt*	**65**	**60**	**47**	**38**	**54**	***95***

kwmt = thousand wet metric tonnes

* Includes mine gate sales totalling 72kwmt of DSO lump and 34kwmt of DSO fines in the September 2014 quarter, 46kmwt of DSO fines in the March 2015 quarter, and 52kwmt of DSO fines in the June 2015 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, provisional invoicing adjustments 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, when they occur, are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.

Minor discrepancies may appear due to rounding.

Koolan Island

Ore shipments from Koolan Island for the year ended 30 June 2015 totalled 2.1 million wmt, including the final shipments of Rizhao Special Product (**"RSP")** totalling 287,000 wmt.

As reported during the period, following an initial slump in the Main Pit seawall on 24 October 2014, and before remediation efforts could be completed, a major failure of the seawall occurred on 26 November 2014. The Main Pit was inundated with sea water as a result of this breach of the seawall. All non-essential activities on the island were suspended following the seawall failure in order to reduce expenditure and preserve capital while detailed identification and assessment of potential redevelopment options are undertaken. Force majeure notices were issued to major offtake customers and suppliers.

Importantly, no Mount Gibson personnel were harmed or put at risk as a result of the safety protocols enacted by the Company. Environmental monitoring and assessment has been conducted since the event and no significant marine impacts from the seawall failure have been identified to date.

At the start of the financial year, the Group pursued the planned expansion of the Koolan Island operation to a production rate of 4 million wmt per year. A key requirement of this expansion was to increase the waste stripping along with a mining fleet replacement program. This expenditure program saw $83 million invested in planned capitalised waste stripping, $45 million invested in mining fleet and mine development, and a further $3 million on footwall ground stabilisation in the Main Pit. All this expenditure was incurred prior to the seawall failure.

The failure of the seawall also necessitated significant one-off restructuring and mitigation costs. The resulting suspension of ore sales from November 2014 meant Koolan Island incurred almost a full quarter of costs with limited ore sales. The subsequent requirement to put the mine site to care and maintenance status, while options for its long term future are assessed, also resulted in significant costs, including approximately $26 million to clear the majority of Koolan Island's outstanding trade creditors and suppliers.

Site operations recommenced in the March 2015 quarter with mining focused on the Acacia East satellite pit. All sales made in the second half of the year were from the Acacia East pit which was of lower iron grade and quality than the Main Pit ore.

As at 30 June 2015, crushed DSO stockpiles at Koolan Island totalled approximately 89,000 wmt.

Koolan Island Production Summary	**Unit**	**Sept Quarter 2014 '000**	**Dec Quarter 2014 '000**	**Mar Quarter 2015 '000**	**Jun Quarter 2015 '000**	**Year 2014/15 '000**	**Year 2013/14 '000**	**% Incr/ (Decr)**
Mining								
Waste mined	*wmt*	8,409	5,171	783	66	**14,428**	**25,181**	*(43)*
Ore mined	*wmt*	668	425	406	144	**1,643**	**2,848**	*(42)*
Crushing								
Lump	*wmt*	152	48	176	245	**621**	**792**	*(22)*
Fines	*wmt*	313	249	97	158	**817**	**1,716**	*(52)*
RSP*	*wmt*	443	-	-	-	**443**	**1,238**	*(64)*
		908	**297**	**273**	**403**	**1,882**	**3,746**	*(50)*
Shipping								
Lump**	*wmt*	210	42	149	296	**697**	**661**	*5*
Fines**	*wmt*	568	147	148	288	**1,152**	**2,274**	*(49)*
RSP*	*wmt*	146	142	-	-	**287**	**768**	*(63)*
		923	**331**	**297**	**585**	**2,136**	**3,702**	*(42)*

* Rizhao Special Product ("RSP").

** Mining at Koolan Island in the March and June 2015 quarters was only from Acacia East satellite pit with lump material grading ~58% Fe and fines material grading ~57% Fe.

Minor discrepancies may appear due to rounding.

In accordance with the Company's stated accounting policy, deferred waste expenditure for the period was 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. This deferred expenditure has been fully impaired as at 30 June 2015.

Koolan Island		**Year ended 30 June 2015**	**Year ended 30 June 2014**
Waste mined	*mill bcm*	5.44	9.49
Waste mined	*mill wmt*	14.43	25.18
Ore mined	*mill bcm*	0.46	0.74
Ore mined	*mill wmt*	1.64	2.85
Deferred waste capitalised	*$ mill*	92.68	151.03
Amortisation of deferred waste	*$ mill*	20.12	76.02

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. Ore is 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 2014/15, 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 12% to a record 3.4 million wmt, including 204,000 wmt of mine gate sales, while total material movement increased by 40% to 6.4 million wmt. Sales of lump ore totalled 1.9 million wmt, while sales of fines ore totalled 1.5 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 shipments from the Geraldton Port.

As at 30 June 2015, approximately 47,000 wmt of crushed standard product were stockpiled at the mine. Uncrushed standard product stockpiled at the mine totalled approximately 48,000 wmt. Mine-site stockpiles of uncrushed lower grade material totaled 3.0 million wmt. Crushed standard product stockpiled at the Perenjori rail siding totalled approximately 120,000 wmt.

Extension Hill Production Summary	**Unit**	**Sept Quarter 2014 '000**	**Dec Quarter 2014 '000**	**Mar Quarter 2015 '000**	**Jun Quarter 2015 '000**	**Year 2014/15 '000**	**Year 2013/14 '000**	***% Incr/ (Decr)***
Mining								
Waste mined*	*wmt*	607	590	485	521	**2,202**	1,673	*32*
Standard Ore mined	*wmt*	973	619	817	960	**3,369**	2,248	*50*
Low Grade Ore mined*	*wmt*	279	255	158	172	**864**	669	*29*
Total Ore Mined	*wmt*	**1,252**	**874**	**975**	**1,132**	**4,233**	**2,917**	*45*
Crushing								
Lump	*wmt*	562	437	479	576	**2,054**	1,573	*31*
Fines	*wmt*	392	306	354	406	**1,458**	1,162	*25*
		954	**743**	**833**	**982**	**3,512**	**2,735**	*28*
Transported to Perenjori Railhead								
Lump	*wmt*	531	430	465	581	**2,007**	1,635	*23*
Fines	*wmt*	456	331	365	427	**1,579**	1,104	*43*
		987	**761**	**830**	**1,008**	**3,586**	**2,739**	*31*
Transported to Geraldton Port								
Lump (Rail)	*wmt*	359	406	481	563	**1,809**	1,643	*10*
Fines (Rail)	*wmt*	375	305	328	412	**1,420**	1,094	*30*
		734	**711**	**809**	**975**	**3,229**	**2,737**	*18*
Shipping								
Lump	*wmt*	245	544	424	610	**1,823**	1,680	*9*
Fines	*wmt*	354	303	306	418	**1,381**	1,063	*30*
		599	**847**	**730**	**1,028**	**3,204**	**2,743**	*17*
Mine Gate Sales								
Lump	*wmt*	72	-	-	-	**72**	239	*(70)*
Fines	*wmt*	34	-	46	52	**132**	59	*124*
		106	**-**	**46**	**52**	**204**	**298**	*(32)*
Total Sales								
Lump	*wmt*	317	544	424	610	**1,895**	1,919	*(1)*
Fines	*wmt*	388	303	352	470	**1,513**	1,122	*35*
		705	**847**	**776**	**1,080**	**3,408**	**3,041**	*12*

* 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:

		Year ended 30 June 2015	Year ended 30 June 2014
Waste mined	*mill bcm*	1.17	0.92
Waste mined	*mill wmt*	3.07	2.34
Ore mined	*mill bcm*	1.08	0.78
Ore mined	*mill wmt*	3.37	2.25
Deferred waste capitalised	*$ mill*	-	-
Amortisation of deferred waste	*$ mill*	-	-

Tallering Peak

Following the completion of mining in the June 2014 quarter, Tallering Peak completed five shipments totalling 292,000 wmt during the first half of 2014/15 financial year. Sales comprised two cargoes of lump ore totalling 116,000 wmt, two cargoes of remnant medium grade fines ore totalling 118,000 wmt and one cargo of remnant low grade fines ore totalling 58,000 wmt.

Tallering Peak Production Summary	Unit	Sept Quarter 2014 '000	Dec Quarter 2014 '000	Mar Quarter 2015 '000	Jun Quarter 2015 '000	Year 2014/15 '000	Year 2013/14 '000	% Incr/ (Decr)
Mining								
- Waste mined	*wmt*	-	-	-	-	**-**	**4,009**	*(100)*
- Ore mined	*wmt*	-	-	-	-	**-**	**2,162**	*(100)*
Crushing								
- Lump	*wmt*	-	-	-	-	**-**	**1,437**	*(100)*
- Fines	*wmt*	-	-	-	-	**-**	**1,079**	*(100)*
		-	**-**	**-**	**-**	**-**	**2,516**	*(100)*
Transported to Mullewa Railhead								
- Lump	*wmt*	7	-	-	-	**7**	**1,376**	*(99)*
- Fines	*wmt*	9	-	-	-	**9**	**841**	*(99)*
		16	**-**	**-**	**-**	**16**	**2,217**	*(99)*
Transported to Geraldton Port								
- Lump	*wmt*	43	-	-	-	**43**	**2,187**	*(98)*
- Fines	*wmt*	176	17	-	-	**193**	**622**	*(69)*
		219	**17**	**-**	**-**	**236**	**2,809**	*(92)*
Shipping								
- Standard DSO Lump	*wmt*	116	-	-	-	**116**	**986**	*(88)*
- Standard DSO Fines	*wmt*	118	-	-	-	**118**	**597**	*(80)*
- Low Grade DSO	*wmt*	-	58	-	-	**58**	**1,377**	*(96)*
		234	**58**	**-**	**-**	**292**	**2,960**	*(90)*

Minor discrepancies may appear due to rounding.

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:

		Year ended 30 June 2015	Year ended 30 June 2014
Waste mined	*mill bcm*	-	1.36
Waste mined	*mill wmt*	-	4.01
Ore mined	*mill bcm*	-	0.55
Ore mined	*mill wmt*	-	2.16
Deferred waste capitalised	*$ mill*	-	1.10
Amortisation of deferred waste	*$ mill*	-	13.67

Closure and rehabilitation activities continued throughout the year, with the last remaining equipment removed from site in the June 2015 quarter. Final rehabilitation works in 2015/16 are expected to relate to road repairs, minor earthworks and site monitoring.

EXPLORATION AND DEVELOPMENT

Mineral Resources and Ore Reserves

Subsequent to year-end, Mount Gibson released its annual statement of Mineral Resources and Ore Reserves as at 30 June 2015. Total Group Mineral Resources were estimated at 94.9 million tonnes grading 61.2% Fe, and total Group Ore Reserves were estimated at 7.1 million tonnes grading 58.4% Fe. Mount Gibson has 12 iron ore Mineral Resources across four project locations and two Ore Reserves. All Mineral Resources and Ore Reserves are considered as direct shipping grade (DSO) with no beneficiation or enrichment process required. The majority of the Company's Ore Reserves relate to the Extension Hill Operation.

Extension Hill South

Mount Gibson completed a programme of reverse circulation drilling, comprising 63 holes for 3,072 metres, at the Iron Hill and Gibson Hill Prospects at Extension Hill South. This program of infill and extensional drilling was a follow up to RC drilling conducted at Iron Hill in December 2013 and a four hole diamond core programme drilled in August 2014. In late December 2014, the Office of Environmental Protection Authority of Western Australia set a Public Environmental Review (PER) level of assessment for future mining at Iron Hill. Work in the second half of the financial year was focussed on progressing approvals and evaluating data for preparation of an initial Mineral Resource estimate.

CORPORATE

Minerals Resource Rent Tax ("MRRT")

During the year, the Australian Senate repealed the MRRT, effective 1 October 2014. Consequently, as previously disclosed, Mount Gibson recorded a non-cash write-off of approximately $46 million in its financial results for the year ended 30 June 2015. This amount represents the remaining balance of the MRRT deferred tax asset which was previously required to be recorded in accordance with applicable accounting standards to reflect the technical tax value of the Company's MRRT starting base allowances. This is a non-cash technical accounting adjustment that has no impact on the Company's underlying business or cashflows. Mount Gibson has not paid any MRRT.

Koolan Island insurance

Mount Gibson's investigation into the cause of the Koolan Island seawall failure continued and the majority of the work has now been completed. At this stage, the investigation has identified the following technical factors as potentially relevant to the incident:

- the sensitivity and structure of the natural marine sediments that formed the base of the seawall;
- the extent that water pressure within the marine sediments had dissipated effectively; and
- the impact of planned excavation on the landward side of the seawall.

As indicated previously, Mount Gibson has insurance policies for a variety of circumstances, including property damage and business interruption. Constructive discussions with the Company's insurers progressed during the June quarter. This included a conditional confirmation that the Company's existing policies would respond, subject to the insurers' further reviews. The insurers' own separate investigation, which has been running parallel to Mount Gibson's, is well advanced. The majority of insurers have indicated they are prepared to make an initial early-stage progress payment on account of approximately $2 million. However, the insurers have reserved their rights with respect to making a final determination. The full value of the business interruption and property damage claims are also yet to be quantified by the insurers and will be assessed subject to any relevant policy and limitations. Mount Gibson remains in discussions with the insurers in respect of those matters.

Corporate office restructuring

Consistent with Mount Gibson's ongoing focus on cost reduction and business efficiency, corporate costs and staffing levels have been progressively reducing to match changing operational support requirements following the seawall failure and ramp-down at Koolan Island. Corporate cash expenditure, including centralised site-support services, exploration and business development, has reduced by more than 50% from approximately $2.5 million per month at the start of the financial year to $1.2 million per month at the end of the year (before one-off charges, including redundancies). Costs are anticipated to reduce further in 2015/16 to a targeted level of less than $1 million per month.

This reduction includes significant cost reductions relating to the Board and executive management. In early 2014, the Board size was reduced from eight to six and in February 2015 annual fees paid to each director were reduced by an average of 25%. In addition, the total number of senior roles in the company's Executive Committee was reduced from seven to four. The annualised base remuneration of the Chief Executive Officer and the Chief Financial Officer has also been reduced by an average of approximately 30%, and both the short and long term incentive bonus schemes have been suspended at the Board's discretion.

Financial Position

At 30 June 2015, the Group's cash and term deposit balances totalled $334,003,000, a decrease of $185,768,000 from 30 June 2014 of $519,771,000. The decrease was due to the payment of $43,632,000 in cash dividends, $52,145,000 for fixed assets, $7,317,000 in the repayment of lease liabilities and other borrowings, the mining of waste material at the Koolan Island mine, and the impacts of the failure of the Koolan Island Main Pit seawall.

As at the balance date, the Company's current assets totalled $373,739,000 and its current liabilities totalled $66,085,000. As at the date of this report, the Group has sufficient funds as well as access to further equity and debt funding to operate the Koolan Island and Extension Hill mines, and to advance its exploration and growth objectives.

Impairment

As disclosed in the Company's financials for the year ended 30 June 2015, a significant impairment expense has been recorded as a result of the impact of substantially lower iron ore prices and the failure of the Main Pit seawall at the Company's Koolan Island operation. The Group has recorded a total impairment expense of $945,214,000 before tax comprising impairments of iron ore inventories (by $9,526,000), consumables inventories (by $339,000), mine properties (by $712,917,000), deferred acquisition, exploration and evaluation assets (by $19,219,000) and property, plant and equipment (by $203,213,000).

Foreign Exchange Hedging

As at 30 June 2015, the Company did not hold any forward foreign exchange contracts. During the year, the Company satisfied in full all of its forward foreign exchange contracts with US$ revenues from ore sales.

Koolan Island Logistics Base

In May 2015, Mount Gibson announced an agreement with specialist logistics provider Qube Holdings Limited ("**Qube**") that provides a framework to progress the potential establishment of a logistical services base for the offshore oil and gas industry at Koolan Island, in collaboration with the Dambimangari Traditional Owners.

The Koolan Island Logistics Base ("**KILB**") proposal remains at an early stage but envisages staged development of helicopter refuelling and maintenance facilities, air search and rescue facilities, an all-weather runway suitable for large-scale passenger jet aircraft, accommodation facilities and a marine terminal servicing the Browse Basin.

Development of the KILB would not restrict the potential to repair the Main Pit seawall and resume iron ore production at Koolan Island should a technically and economically robust solution be identified. Furthermore, Mount Gibson considers that the KILB development would provide operating cost benefits to future mining operations on the island.

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.

Following recent iron ore price falls and the failure of the Koolan Island Main Pit seawall, Mount Gibson management continues to focus on productivity gains and supplier arrangements in order to reduce costs and to drive cashflows to ensure the Company can perform well in volatile commodity and foreign exchange markets.

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.

The Board has undertaken a thorough review of the existing business in light of the significant events of 2014/15 and the uncertain iron ore market outlook. The Board's strategic objective continues to be the creation of long term value for shareholders through investment in exploration, development, and efficient operational extraction of mineral resources.

The Board's 2015/16 corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash for value-accretive investments. The Board has determined the following key business objectives for the coming financial year:

- **Extension Hill** - operate the mine at an increased output rate and pursue necessary regulatory government approvals for the development of the Extension Hill South project area to extend the operational life of the Extension Hill mine beyond the current end of the reserve life in late 2016.
- **Koolan Island** – recommence mining of remnant ore in the Acacia East satellite pit in the first half of FY2016 and thereafter place the site on care and maintenance, and undertake the detailed work required to investigate the redevelopment potential of the Koolan Island Main Pit orebody.
- **Koolan Island seawall insurance claim** - progress and finalise the insurance claim.
- **Koolan Island Logistic Base** – progress the business case with end-users and formalise the commercial arrangements with partner Qube Holdings Limited while ensuring the capability for future re-start of mining operations.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business through further supplier cost reductions and productivity gains.
- **Treasury returns** - increase the yield on the Group's cash reserves.
- **Growth projects** - continuation of the search for business development opportunities in the resources sector.

Extension Hill Outlook

The Company intends to ramp up production from the current rate of approximately 3.0Mtpa to between 3.5Mtpa and 4.0Mtpa. The purpose of the ramp up is to pursue cost reductions through economies of scale and to bring forward operating cashflows. Accordingly, Mount Gibson expects all-in site cash costs of the Extension Hill operation to be in line with the strong June 2015 quarter performance.

The volatility in iron ore prices necessitates ongoing assessment of possible early closure of the Extension Hill mine in the event that price conditions deteriorate to the point that the business faces being in a cash-loss making position for a sustained period. This assessment considers the trade-off between the possible ongoing cash loss of continuing to operate against the option of closing immediately which results in the triggering of early contract termination obligations. At 30 June 2015, these early closure obligations were estimated to total approximately $45 million and related mostly to fixed infrastructure and transport commitments. These obligations reduce with cumulative sales tonnage over the scheduled life of the Extension Hill mine.

Koolan Island Outlook

Pit optimisation work completed at the end of the financial year has enabled the Company to proceed with a second stage mining campaign at the Acacia East satellite pit to recover a further 0.7Mt of ore. The mining sequence requires two months of up-front waste stripping prior to ore sales occurring, with the sales and cash generation biased to the December 2015 quarter. All mining and sales will be completed by the end of December 2015. The all-in cash cost of the Acacia East material, before royalties, is expected to be between A$38-40/wmt which, at prevailing iron ore prices will generate a modest cash margin. This decision will continue to be reviewed in light of prevailing iron ore prices. Once this mining program is completed, the island will be placed on care and maintenance pending commencement of the KILB activities.

The technical evaluation and assessment of the likely timing and cost of options to rebuild the Main Pit seawall and resume production progressed. Technical information generated by the insurance investigation and assessment process continues to provide data that is critical for determining whether a viable reconstruction option can be identified. Separately, mine optimisation work has identified options to redesign the Main Pit mine plan and potentially significantly reduce future waste stripping ratios, offset by a reduction in the likely volume of recoverable material. This work has been very encouraging, however technical complexity and the uncertain outlook for iron ore prices continues to make any immediate decision on reconstruction of the seawall and resumption of Main Pit production challenging. Additional technical field work is required in order to determine the viability of seawall options and to establish a clear understanding of the resulting risk and cost profile. The program of work includes detailed bathymetric surveying and additional geotechnical drilling in and around the area in which the failure occurred. At the earliest, this work would commence in early 2016 after the upcoming cyclone season.

Group Sales Guidance and Cash Costs Profile

Based on forecast production for 2015/16 of 4.0-4.5 Mwmt, Mount Gibson expects its all-in group cash costs, inclusive of all site operating and capital costs, royalties, closure and head office costs, to be in the range of $50-54/wmt, equivalent to US$37-40/wmt at an exchange rate of A$1.00/US$0.74.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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.

DIVIDENDS

During the financial year, a final dividend of 4 cents per share fully franked in respect of the 2013/14 financial year was paid by way of $43,632,203 in cash (2014: $21,811,685).

With the payment 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.

A final dividend for the 2014/15 financial year has not been declared given the presently depressed iron ore price environment and the recent failure of the Main Pit seawall at the Group's Koolan Island operation.

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.

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 Seng Hui	-	-	-
A Jones	100,000	-	-
Li Shao Feng	-	-	-
R Barwick	-	-	-
S Bird	20,000	-	-
P Dougas	284,944	-	-
A Ferguson	-	-	-

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	9	4	4	4	2
Lee Seng Hui	9	4	4	-	-
A Jones	9	4	4	-	2
Li Shao Feng	8	-	-	-	-
R Barwick	9	-	3	3	1
S Bird	9	4	-	4	2
P Dougas	9	-	-	4	2
A Ferguson	-	-	-	-	-

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group has developed Environmental Management Plans for its various operating and development sites. 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.

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 23 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 2015. 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:

	2015 **$**
Native title royalty audit	3,600

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. The Board agreed to salary cuts of 25% for Directors during the 2015 financial year. In addition, prior to this, Mr Li Shao Feng elected to waive his Director fees entirely and Mr Lee Seng Hui elected to receive Chairman fees at a level substantially less than previously payable for that particular role.

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 $549,047 were paid in the 2014/15 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.

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. No remuneration consultants were appointed for this purpose during the 2015 financial year given a decision was made by the Board and recommended by management that there be no salary increases or awards of long-term incentives or short-term incentives bonuses.

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 2014/15 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 2015 financial year, no STI cash incentive was awarded to Key Management Personnel in line with the Company's cost reduction strategy.

Long-term Incentive ("LTI") for 2015 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 approximately three years' continuous service, subject to satisfaction of specified performance hurdles, unless such conditions are waived by the Board exercising its discretion. 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 a 2-3 year 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, and the Chief Financial Officer, Mr Kerr, 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 2015, in line with the Company's cost reduction strategy, no performance rights were issued by the Company to senior executives in respect of the 2014/15 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.

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, subject to the agreed suspension outlined below;
- 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.
- During the 2015 financial year, Mr Beyer agreed to a reduction in his base salary from $764,400 to $500,000 for a 12 month period to 1 March 2016 subject to further review and mutual agreement. During this time the mandatory CPI adjustment has also been suspended. The Board has agreed to pay a conditional deferred bonus to Mr Beyer as part of the restructuring arrangement to compensate for the reduced remuneration and loss of leave entitlements during this period. The timing of payment of the deferred bonus is at the Board's discretion. However, in the event that Mr Beyer and the Company are unable to reach agreement on his revised salary at 1 March 2016, Mr Beyer may elect to take a redundancy, in which case he would become entitled to the deferred bonus. Similarly, if the Company elects to terminate Mr Beyer's contract during this period, and the deferred bonus has not yet been paid, the deferred bonus will be automatically payable in addition to the existing termination rights payable to Mr Beyer under his executive contract. As at 30 June 2015, the conditional accrued deferred bonus totalled $123,221.

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, subject to the agreed suspension outlined below;
- 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.
- During the 2015 financial year, Mr Kerr agreed to a reduction in his base salary from $474,116 to $365,000 for a 12 month period to 1 March 2016 subject to further review and mutual agreement. During this time the mandatory CPI adjustment has also been suspended. The Board has agreed to pay a conditional deferred bonus to Mr Kerr as part of the restructuring arrangement to compensate for the reduced remuneration and loss of leave entitlements during this period. The timing of payment of the deferred bonus is at the Board's discretion. However, in the event that Mr Kerr and the Company are unable to reach agreement on his revised salary at 1 March 2016, Mr Kerr may elect to take a redundancy, in which case he would become entitled to the deferred bonus. Similarly, if the Company elects to terminate Mr Kerr's contract during this period, and the deferred bonus has not yet been paid, the deferred bonus will be automatically payable in addition to the existing termination rights payable to Mr Kerr under his executive contract. As at 30 June 2015, the conditional accrued deferred bonus totalled $43,029.

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, such increase agreed to be suspended for the 2015/16 financial 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.

Andrew Thomson (position made redundant as at 30 June 2015)

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.

Details of directors and key management personnel disclosed in this report

[i] Directors

Lee Seng Hui	Chairman
A Jones	Non-Executive Director
Li Shao Feng	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

[ii] Key Management Personnel

J Beyer	Chief Executive Officer
P Kerr	Chief Financial Officer
A Thomson	Chief Operating Officer until 30 June 2015
D Stokes	Company Secretary and General Counsel

Remuneration of Key Management Personnel for the year ended 30 June 2015

	Short Term			Post Employment		Long Term	Share Based Payment*	Termination Payment		
30 June 2015	**Salary & Fees $**	**Non Monetary $**	**Conditional Deferred Bonus** $**	**Super-annuation $**	**Retirement Benefits $**	**Long Service Leave $**	**Options and Performance Rights $**	**$**	**Total $**	**% Perform-ance Related**
Directors										
Lee Seng Hui	89,540	-	-	8,506	-	-	-	-	**98,046**	-
A Jones	103,387	-	-	9,822	-	-	-	-	**113,209**	-
Li Shao Feng	-	-	-	-	-	-	-	-	**-**	-
R Barwick	103,387	-	-	9,822	-	-	-	-	**113,209**	-
S Bird	111,758	-	-	10,617	-	-	-	-	**122,375**	-
P Dougas	93,341	-	-	8,867	-	-	-	-	**102,208**	-
A Ferguson	-	-	-	-	-	-	-	-	**-**	-
Sub-total	**501,413**	**-**	**-**	**47,634**	**-**	**-**	**-**	**-**	**549,047**	**-**
Other KMP										
J Beyer	662,475	12,207	123,221	36,560	-	1,316	158,562	-	**994,341**	28
P Kerr	407,683	10,997	43,029	30,061	-	990	58,610	-	**551,370**	18
A Thomson	495,934	11,840	-	34,516	-	1,667	21,782	471,229	**1,036,968**	2
D Stokes	324,583	9,050	-	22,590	-	1,250	47,257	-	**404,730**	12
Sub-total	**1,890,675**	**44,094**	**166,250**	**123,727**	**-**	**5,223**	**286,211**	**471,229**	**2,987,409**	
Totals	**2,392,088**	**44,094**	**166,250**	**171,361**	**-**	**5,223**	**286,211**	**471,229**	**3,536,456**	

* 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.

** Mr Beyer and Mr Kerr are in certain circumstances entitled to a deferred bonus. Refer "Employment Contracts" above.

Options granted as part of remuneration for the year ended 30 June 2015

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 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 2015 and there are no options outstanding as at 30 June 2015.

Performance Rights granted as part of remuneration for the year ended 30 June 2015

There were no performance rights granted as part of remuneration during the year ended 30 June 2015.

Performance Rights vested

There were no performance rights vested during the financial year ended 30 June 2015.

	30 June 2015	30 June 2014
J Beyer	-	220,853

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/ Lapsed %	Financial Years Performance Rights May Vest
J Beyer	2012	81	19	-
J Beyer	2013	-	-	2016
J Beyer	2014	-	-	2017
P Kerr	2013	-	-	2016
P Kerr	2014	-	-	2017
A Thomson	2013	-	100	-
A Thomson	2014	-	100	-
D Stokes	2013	-	-	2016
D Stokes	2014	-	-	2017

Performance Rights holdings by Key Management Personnel as at 30 June 2015

30 June 2015	Balance 1 July 2014	Granted as Remuneration	Exercised during the year	Lapsed/ forfeited during the year	Balance 30 June 2015
Directors					
Lee Seng Hui	-	-	-	-	-
A Jones	-	-	-	-	-
Li Shao Feng	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	-	-	-	-	-
P Dougas	-	-	-	-	-
A Ferguson	-	-	-	-	-
Other KMP					
J Beyer	858,868	-	(220,853)	(50,465)	587,550
P Kerr	336,840	-	-	-	336,840
A Thomson	375,520	-	-	(375,520)	-
D Stokes	261,460	-	-	-	261,460
Total	**1,832,688**	**-**	**(220,853)**	**(425,985)**	**1,185,850**

No performance rights had vested and were exercisable at 30 June 2015.

Shares issued on exercise of options and rights for the year ended 30 June 2015

There were no shares issued on exercise of options and rights by the Directors and Executives during the year ended 30 June 2015 (2014: nil). There were 220,853 shares issued on the exercise of 220,853 performance rights on 9 July 2014 for nil consideration. These performance rights had vested to Mr Beyer in the previous year.

Shareholdings of Key Management Personnel as at 30 June 2015

30 June 2015	Balance 1 July 2014 Ord	Granted as Remuneration Ord	Exercise of Performance Rights Ord	Net Change Other Ord	Balance 30 June 2015 Ord
Directors					
Lee Seng Hui	-	-	-	-	-
A Jones	100,000	-	-	-	100,000
Li Shao Feng	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	20,000	-	-	-	20,000
P Dougas	103,866	-	-	181,078	284,944
A Ferguson	-	-	-	-	-
Other KMP					
J Beyer	19,801	-	*220,853	-	240,654
P Kerr	-	-	-	-	-
A Thomson	-	-	-	-	-
D Stokes	-	-	-	-	-
Total	**243,667**	**-**	**220,853**	**181,078**	**645,598**

* A total of 220,853 ordinary shares were issued to Mr Beyer on 9 July 2014 in relation to the equivalent number of performance rights vested in the year ended 30 June 2014.

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 Seng Hui	103,128	-	-	9,539	-	-	-	-	**112,667**	-
A Jones	111,060	-	-	10,273	-	-	-	-	**121,333**	-
Li Shao Feng	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.

** Chairman until 18 February 2014 and Non-Executive Director until 29 April 2014.

*** Non-Executive Director until 29 April 2014.

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

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

Loans to Key Management Personnel

There were no loans to key management personnel during the years ended 30 June 2015 and 30 June 2014.

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 2015 and 30 June 2014.

Company Performance

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

		30 June 2015	30 June 2014	30 June 2013	Restated* 30 June 2012	30 June 2011
Net profit/(loss) after tax	***$'000***	(911,422)	96,353	157,342	162,016	239,500
Earnings/(loss) per share	***$/share***	(0.8356)	0.0884	0.1445	0.1496	0.2214
Closing share price	***$***	0.20	0.69	0.47	0.86	1.84

* 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.

End of remuneration report.

Signed in accordance with a resolution of the Directors.

SIMON BIRD
Lead Independent Non-Executive Director
Sydney, 18 August 2015

Competent Persons Attribution:

Exploration Targets and Exploration Results

The information in this report that relates to Exploration Targets and Exploration Results are based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Mr Hudson is a consultant to Mount Gibson Iron Limited, 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. Mr Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mineral Resources for the Shine, Extension Hill (excluding Iron Hill), all Tallering Peak deposits and all Koolan Island deposits other than the Main Deposit:

The information in this report relating to Mineral Resources for the Shine, Extension Hill (excluding Iron Hill), and Tallering Peak deposits as well as the Acacia East, Mullet Acacia, Barramundi West, Eastern Barramundi and Mangrove Mineral Resources at Koolan Island, is based on information compiled by Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Ms Haren was a full-time employee of, and is a consultant to, Mount Gibson Iron Limited. Ms Haren 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'. Ms Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Mineral Resources for the Koolan Island Main deposit and the Iron Hill deposit at Extension Hill South:

The information in this report relating to the Mineral Resources of Main Deposit at Koolan Island and the Iron Hill deposit at Extension Hill South is based on information compiled by Jani Kalla, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Kalla was a full-time employee of Mount Gibson Iron Limited and is now a full time employee of First Quantum Minerals Limited. Mr Kalla has sufficient experience that is relevant to the style of mineralisation and type of deposits 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'. Mr Kalla consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Koolan Island, Extension Hill and Shine Ore Reserves:

The information in this report relating to Ore Reserves at Koolan Island, Extension Hill and Shine is based on information compiled by Paul Salmon, a Competent Person who is a member and a Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Salmon is a full-time employee of Mount Gibson Iron Limited. Paul Salmon 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'. Mr Salmon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The Ore Reserve estimates comply with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

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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 2015, 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

Gavin Buckingham

Gavin Buckingham
Partner
18 August 2015

Consolidated Income Statement

For the year ended 30 June 2015

	Notes	2015 $'000	Re-presented[1] 2014 $'000
CONTINUING OPERATIONS			
Sale of goods	2[a]	315,644	660,161
Other revenue	2[a]	12,209	15,549
TOTAL REVENUE		**327,853**	**675,710**
Cost of sales	3[b]	(341,742)	(502,737)
Impairment of ore inventories	8[iii]	(3,442)	-
GROSS PROFIT/(LOSS)		**(17,331)**	**172,973**
Other income	2[b]	7,874	8,180
Consumables stock obsolescence	8[i]	(9,048)	-
Impairment of consumables inventories	8[ii]	(339)	-
Impairment of mine properties	14	(712,917)	-
Impairment of property, plant and equipment	14	(203,213)	-
Impairment of deferred acquisition, exploration and evaluation	12	(19,219)	-
Exploration expenses		(1,014)	(116)
Administration expenses	3[c]	(31,279)	(27,958)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**(986,486)**	**153,079**
Finance costs	3[a]	(2,929)	(5,627)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX		**(989,415)**	**147,452**
Tax benefit/(expense)	4	99,908	(57,280)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(889,507)**	**90,172**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations	29[a]	(21,915)	6,181
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**(911,422)**	**96,353**
Earnings/(loss) per share (cents per share)			
• basic earnings/(loss) per share	23	(83.56)	8.84
• diluted earnings/(loss) per share	23	(83.56)	8.83
Earnings/(loss) per share (cents per share) for continuing operations			
• basic earnings/(loss) per share	23	(81.55)	8.27
• diluted earnings/(loss) per share	23	(81.55)	8.27

[1] In accordance with applicable accounting standards, certain numbers shown here do not correspond to the 30 June 2014 financial statements as they reflect adjustments made in respect of discontinued operations, as detailed in note 29.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	2015 $'000	2014 $'000
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	**(911,422)**	**96,353**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	5,334	6,837
Reclassification adjustments for losses on cash flow hedges transferred to the Income Statement	(7,729)	165
Deferred income tax on cash flow hedges	719	(2,101)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(1,676)**	**4,901**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(913,098)**	**101,254**

Consolidated Balance Sheet

As at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	91,003	70,471
Term deposits	6	243,000	449,300
Trade and other receivables	7	15,354	53,004
Inventories	8	21,078	67,573
Prepayments		3,304	3,468
Derivative financial assets	9	-	2,395
Income tax receivable		-	9,661
Total Current Assets		**373,739**	**655,872**
Non-Current Assets			
Property, plant and equipment	11	31,494	223,186
Deferred acquisition, exploration and evaluation	12	2,924	21,863
Mine properties	13	3,205	655,731
Deferred tax assets	4	-	45,999
Total Non-Current Assets		**37,623**	**946,779**
TOTAL ASSETS		**411,362**	**1,602,651**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	49,664	125,201
Interest-bearing loans and borrowings	16	2,619	7,294
Provisions	17	13,802	15,270
Total Current Liabilities		**66,085**	**147,765**
Non-Current Liabilities			
Provisions	17	39,584	45,202
Interest-bearing loans and borrowings	16	119	2,162
Deferred tax liabilities	4	-	145,504
Total Non-Current Liabilities		**39,703**	**192,868**
TOTAL LIABILITIES		**105,788**	**340,633**
NET ASSETS		**305,574**	**1,262,018**
EQUITY			
Issued capital	18	568,328	568,328
Retained earnings / (accumulated losses)	20	(1,243,797)	675,519
Reserves	19	981,043	18,171
TOTAL EQUITY		**305,574**	**1,262,018**

Consolidated Cash Flow Statement

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		356,090	902,056
Payments to suppliers and employees		(454,167)	(606,234)
Interest paid		(680)	(2,040)
Income tax received/(paid)		7,958	(55,819)
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	5[b]	**(90,799)**	**237,963**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,409	14,597
Proceeds from sale of property, plant and equipment		2,686	1,098
Purchase of property, plant and equipment		(52,145)	(49,119)
Proceeds from/(payment for) term deposits		206,300	(135,300)
Payment for acquisition costs for exploration and evaluation assets		(521)	(12,000)
Payment for deferred exploration and evaluation expenditure		(5,407)	(4,484)
Payment for mine properties		(338)	(80)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**163,984**	**(185,288)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(6,660)	(19,120)
Repayment of borrowings		(657)	(485)
Payment of borrowing costs		(705)	(1,584)
Dividends paid		(43,632)	(21,812)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(51,654)**	**(43,001)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,531	9,674
Net foreign exchange difference		(999)	(1,221)
Cash and cash equivalents at beginning of year		70,471	62,018
CASH AND CASH EQUIVALENTS AT END OF YEAR	5[a]	**91,003**	**70,471**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Attributable to Equity Holders of the Parent						*Total Equity*
	Issued Capital	**Retained Earnings/ (Accumulated Losses)**	**Share Based Payments Reserve**	**Net Unrealised Gains / (Losses) Reserve**	**Dividend Distribution Reserve**	**Other Reserves**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**
At 1 July 2014	**568,328**	**675,519**	**19,687**	**1,676**	**-**	**(3,192)**	**1,262,018**
Loss for the period	-	(911,422)	-	-	-	-	**(911,422)**
Other comprehensive loss	-	-	-	(1,676)	-	-	**(1,676)**
Total comprehensive loss for the year	**-**	**(911,422)**	**-**	**(1,676)**	**-**	**-**	**(913,098)**
Transactions with owners in their capacity as owners							
- Dividends paid	-	(43,632)	-	-	-	-	**(43,632)**
Share-based payments	-	-	286	-	-	-	**286**
Transfer of prior year profits	-	(964,262)	-	-	964,262	-	**-**
At 30 June 2015	**568,328**	**(1,243,797)**	**19,973**	**-**	**964,262**	**(3,192)**	**305,574**

Notes to the Consolidated Financial Report

For the year ended 30 June 2015

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 2015, were authorised for issue in accordance with a resolution of the Directors on 18 August 2015.

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 Koolan Island and Extension Hill, the exploration and development of hematite deposits in Western Australia and elsewhere, treasury management and the pursuit of mineral resources investments.

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.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 2014 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on or after 1 July 2014 including:

Reference	Title	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
AASB 2013-3	*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 1031	*Materiality* The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*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. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	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 A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. 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.	30 June 2014 1 July 2014	30 June 2014 1 July 2014
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB13 - 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 AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014

Reference	Title	Application date of standard	Application date for Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.* Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' 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 116 & 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
Amendments to Australian Accounting Standards - Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)	AASB 2014-Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.	1 July 2014	1 July 2014
Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • clarify that AASB 1053 relates only to general purpose financial statements; • make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*; • clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and • specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	1 July 2014

The main impact of the adoption of new standards and interpretations effective 1 July 2014 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 2015 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 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 amendment 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
AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers* and 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. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2017	1 July 2017
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 July 2016

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139**.** This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler 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 AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised 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, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.	1 January 2018	1 July 2018

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: • Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	1 July 2016

Notes to the Consolidated Financial Report (continued)

AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 July 2015	1 July 2015

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

(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) 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.

(g) Other accounting policies

Other significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

(h) Key accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Significant judgements and estimates which are material to the financial statements are provided throughout the notes to the financial statements.

Other significant accounting judgements, estimates and assumptions not provided in the notes to the financial statements are as follows:

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.

Notes to the Consolidated Financial Report (continued)

	Notes	2015 $'000	Re-presented 2014 $'000

2. Revenue and Other Income

	Notes	2015 $'000	Re-presented 2014 $'000
[a] Revenue			
Sale of ore		323,422	659,655
Realised gain/(loss) on foreign exchange hedges		(7,778)	506
		315,644	660,161
Other revenue			
Interest income		12,209	15,549
		12,209	15,549
[b] Other income			
Net realised gain on foreign exchange transactions		4	-
Net gain on disposal of property, plant and equipment		1,167	46
Other income	[i]	6,703	8,134
		7,874	8,180

[i] Mount Gibson received an interim distribution of $8.050 million during the year ended 30 June 2014 and a final distribution of $4.379 million in March 2015 from the liquidators of Pioneer Iron & Steel Group Company Limited, a former customer.

Recognition and measurement

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

The Group generates a significant proportion of revenue from the sale of iron ore. 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.

3. Expenses

	2015 $'000	Re-presented 2014 $'000
[a] Finance costs		
Finance charges on banking facilities	1,347	1,902
Finance charges payable under finance leases	340	1,308
	1,687	3,210
Non-cash interest accretion on rehabilitation provision	1,242	2,417
	2,929	5,627

Notes to the Consolidated Financial Report (continued)

	Notes	2015 $'000	Re-presented 2014 $'000

3. Expenses (Continued)

	Notes	2015 $'000	Re-presented 2014 $'000
[b] Cost of Sales			
Mining and administration costs		184,088	275,678
Depreciation – mining and administration		19,221	29,477
Mining waste costs deferred	13	(92,683)	(151,028)
Amortisation of mining waste costs deferred	13	20,117	76,017
Amortisation of mine properties	13	14,208	37,768
Crushing costs		25,908	33,727
Depreciation – crushing		4,212	6,320
Transport costs		88,848	77,512
Depreciation – transport		6,326	6,579
Port costs		21,810	19,636
Depreciation – port		5,638	11,400
Royalties		29,760	56,061
Net ore inventory movement		14,289	23,590
		341,742	502,737
[c] Administration Expenses include:			
Depreciation		735	545
Share-based payments expense	22	286	527
Impairment of debtors		964	-
Net unrealised loss on foreign exchange balances		999	1,221
Net realised loss on foreign exchange transactions		-	4
[d] Cost of Sales and Administration expenses above include:			
Salaries, wages expense and other employee benefits		73,383	87,213
Operating lease rental – minimum lease payments		11,950	24,178

Recognition and measurement

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 17. The policy relating to share-based payments is set out in note 22.

Superannuation

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

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.

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.

Depreciation and amortisation

Refer to notes 11 and 13 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amount of assets exceed their recoverable amount. Refer to note 14 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

	2015 $'000	2014 $'000

4. Taxation

Major components of tax (benefit)/expense for the years ended 30 June 2015 and 2014 are:

	2015 $'000	2014 $'000
Income Statement		
Current tax		
Current income tax charge	-	23,530
Adjustments in respect of current income tax of previous year	1,703	(4,764)
Deferred tax		
Relating to origination and reversal of temporary differences:		
Income tax	(144,785)	27,228
Minerals resource rent tax	45,999	21,351
Tax (benefit)/expense reported in Income Statement	**(97,083)**	**67,345**
Tax (benefit)/expense relating to continuing operations	(99,908)	57,280
Tax (benefit)/expense relating to discontinued operations	2,825	10,065
	(97,083)	**67,345**
Statement of Changes in Equity		
Deferred income tax		
Remeasurement of foreign exchange contracts	(719)	719
Deferred income tax (benefit)/liability reported in equity	(719)	719

Reconciliation of tax (benefit)/expense

A reconciliation of tax (benefit)/expense applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2015 and 2014 is as follows:

	2015 $'000	2014 $'000
Accounting profit/(loss) before tax	(1,008,505)	163,698
• At the statutory income tax rate of 30% (2014: 30%)	(302,551)	49,109
• Expenditure not allowed for income tax purposes	160	572
• Unrecognised deferred tax assets	158,720	-
• Adjustments in respect of current income tax of previous year	1,703	(4,764)
• Other	(1,114)	1,077
Minerals resource rent tax expense	45,999	21,351
Tax (benefit)/expense	**(97,083)**	**67,345**
Effective tax rate	9.6%	41.1%
Tax (benefit)/expense reported in Income Statement	**(97,083)**	**67,345**

Notes to the Consolidated Financial Report (continued)

4. Taxation (Continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED						
Accrued liabilities	(7,299)	(1,100)	-	-	(7,299)	(1,100)
Capital raising costs	(4)	(17)	-	-	(4)	(17)
Deferred income	-	-	592	1,270	592	1,270
Foreign exchange contracts	(300)	-	-	353	(300)	353
Inventory	(2,891)	-	-	254	(2,891)	254
Minerals resource rent tax	-	(45,999)	-	-	-	(45,999)
Prepaid expenditure	-	-	7	192	7	192
Fixed assets, mine properties and exploration expenditure	(70,748)	-	-	165,460	(70,748)	165,460
Provisions	(19,215)	(20,070)	-	-	(19,215)	(20,070)
Borrowing cost	(797)	(838)	-	-	(797)	(838)
Tax losses	(58,065)	-	-	-	(58,065)	-
Tax (assets)/liabilities	(159,319)	(68,024)	599	167,529	(158,720)	99,505
Set off of tax	-	22,025	-	(22,025)	-	-
Derecognition of deferred tax asset	159,319	-	(599)	-	158,720	-
Net tax (assets)/liabilities	**-**	**(45,999)**	**-**	**145,504**	**-**	**99,505**

	Balance 1 July 2014	Recognised in Income	Recognised in Equity	Balance 30 June 2015
	$'000	$'000	$'000	$'000
Movement in temporary differences during the financial year ended 30 June 2015				
Accrued liabilities	(1,100)	(6,199)	-	(7,299)
Capital raising costs	(17)	13	-	(4)
Deferred income	1,270	(678)	-	592
Foreign exchange contracts	353	66	(719)	(300)
Inventory	254	(3,145)	-	(2,891)
Minerals resource rent tax	(45,999)	45,999	-	-
Prepaid expenditure	192	(185)	-	7
Fixed assets, mine properties and exploration expenditure	165,460	(236,208)	-	(70,748)
Provisions	(20,070)	855	-	(19,215)
Borrowing cost	(838)	41	-	(797)
Tax losses	-	(58,065)	-	(58,065)
Derecognition of deferred tax asset	-	158,720	-	158,720
	99,505	**(98,786)**	**(719)**	**-**

Notes to the Consolidated Financial Report (continued)

4. Taxation (Continued)

	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**

		2015 $'000	2014 $'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
Non-current assets		100,655	-
Tax losses		58,065	-
		158,720	419,504

[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.

Notes to the Consolidated Financial Report (continued)

4. Taxation (Continued)

Recognition and measurement

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 previously 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.

On 1 October 2014, the Australian Senate repealed the MRRT. Consequently, the Group wrote off to the income statement all of the deferred income tax assets relating to MRRT.

Key estimate: 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.

	2015 $'000	2014 $'000

5. 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:

	2015 $'000	2014 $'000
Cash at bank and in hand	46,003	55,471
Short-term deposits	45,000	15,000
	91,003	**70,471**

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.

Recognition and measurement

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.

[b] Reconciliation of the net profit/(loss) after tax to the net cash flows from operations

	2015 $'000	2014 $'000
Net profit/(loss) after tax	(911,422)	96,353
Adjustments for:		
Depreciation of non-current assets	36,866	67,311
Amortisation of deferred waste	20,117	89,690
Amortisation of other mine properties	14,208	40,338
Net (gain) on disposal of property, plant and equipment	(1,167)	(46)
Interest received	(12,209)	(15,549)
Exploration expenses written off	1,014	116
Share based payments	286	527
Interest accretion on rehabilitation provision	1,242	2,417
Borrowing costs	1,009	1,241
Impairment of debtors	964	-
Impairment of mine properties	712,917	-
Impairment of property, plant and equipment	203,213	-
Impairment of deferred acquisition, exploration and evaluation	19,219	-
Unrealised loss on foreign exchange	999	1,221
Capitalised expenses	1,457	(4,710)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	36,686	(5,703)
Decrease in inventory	46,495	84,400
(Increase)/decrease in prepayments and deposits	163	(736)
Decrease in deferred tax assets	45,999	21,351
(Increase) in capitalised deferred waste	(92,683)	(152,127)
Increase/(decrease) in trade and other payables	(75,537)	19,465
Increase/(decrease) in current income tax liabilities	9,661	(35,671)
Increase/(decrease) in deferred tax liabilities	(144,786)	25,846
Increase/(decrease) in restructure provision	(1,990)	73
Increase in road sealing provision	1,278	200
Increase/(decrease) in employee benefits	(5,161)	1,956
Increase in other provision	363	-
Net Cash Flow from/(used in) Operating Activities	**(90,799)**	**237,963**

Notes to the Consolidated Financial Report (continued)

[c] Non-cash financing activities

The Group did not acquire property, plant and equipment by means of finance leases or hire purchase agreements during the financial year ended 30 June 2015 (2014: nil). The Group disposed of items of property, plant and equipment with an aggregate fair value of $42,932 (2014: $1,029,696) which were financed by means of hire purchase agreements.

	2015 $'000	2014 $'000
6. Term Deposits		
Current		
Receivables – term deposits	210,000	434,300
Receivables – subordinated notes	33,000	15,000
	243,000	**449,300**

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 tradeable floating interest rate instruments with maturities of up to ten years.

Recognition and measurement

Commercial bills and subordinated notes 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 term deposits. Term deposits are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

	Notes	2015 $'000	2014 $'000
7. Trade and Other Receivables			
Current			
Trade debtors	[a][i]	11,366	41,802
Allowance for impairment	[b]	(964)	-
		10,402	41,802
Sundry debtors	[a][ii]	2,990	5,819
Other receivables		1,962	5,383
		15,354	**53,004**

[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 the "recognition and measurement" note below.

[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 2015, trade debtors of $964,000 (2014: $nil) in the Group were impaired.

At 30 June 2015, trade debtors of $402,000 (2014: $800,176) 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 18 August 2015, $4,000 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.

Notes to the Consolidated Financial Report (continued)

7. Trade and Other Receivables (Continued)

	2015 $'000	2014 $'000
The ageing of trade debtors past due but not impaired is as follows:		
Less than 30 days overdue	-	-
Between 30 and 60 days overdue	398	(597)
Between 60 and 90 days overdue	3	(63)
Greater than 90 days overdue	1	1,460
	402	800
Trade debtors not impaired and not past due	10,000	41,002
	10,402	41,802

Recognition and measurement

Trade 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.

Other receivables

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.

Notes to the Consolidated Financial Report (continued)

	Notes	2015 $'000	2014 $'000

8. Inventories

	Notes	2015 $'000	2014 $'000
Consumables – at cost		22,828	28,645
Allowance for stock obsolescence	[i]	(9,702)	(3,237)
Allowance for impairment of consumables inventories	[ii]	(339)	-
		12,787	25,408
Ore – at cost		28,999	55,705
Allowance for impairment of ore inventories	[iii]	(20,708)	(13,540)
		8,291	42,165
		21,078	**67,573**

[i] During the year, the Group raised an allowance for stock obsolescence of $9,048,000 (2014: $1,400,000) for consumables inventory that is considered slow moving and obsolete at Koolan Island.

[ii] Consumables inventory held at Koolan Island which is not considered obsolete but as a result of reduced mining activity may not be used and may potentially be sold has been assessed and written down to its recoverable value. In determining the recoverable value, factors such as current market pricing from suppliers, current location and condition have been considered. The impairment realised for the year was $339,000 (2014: $nil).

[iii] At 30 June 2015, the Group assessed the carrying values of ore inventories stockpiled at each of the three mine sites. Assumptions used in the assessment include prevailing and anticipated iron ore prices and exchange rates, ore specifications, estimated costs to make the ore inventories available for sale, and associated sales and shipping freight costs.

Based on these assumptions, the following impairments on ore inventories were recognised during the financial period:

	2015 $'000	2014 $'000
Tallering Peak	6,084	-
Extension Hill	-	-
Koolan Island	3,442	-
Total loss on impairment	**9,526**	**-**

Recognition and measurement

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.

Inventories are written down below cost to net realisable value if considered damaged, have become wholly or partially obsolete, or if their selling prices have declined. A new assessment is made of net realisable value in each subsequent period.

	Notes	2015 $'000	2014 $'000

9. Derivative Financial Assets

	Notes	2015 $'000	2014 $'000
Current			
Foreign currency forward contracts	32[b][i]	-	2,395
		-	**2,395**

Refer note 32 for details on derivative financial instruments.

Notes to the Consolidated Financial Report (continued)

10. Interest in Subsidiaries

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group 2015 %	2014 %
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 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.

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

Consolidated Income Statement of the Closed Group

	2015 $'000	Re-presented 2014 $'000
CONTINUING OPERATIONS		
Sale of goods	315,644	660,161
Other revenue	12,209	15,547
TOTAL REVENUE	327,853	675,708
Cost of sales	(319,109)	(465,454)
Impairment of ore inventories	(3,442)	-
GROSS PROFIT	5,302	210,254
Other income	7,536	8,180
Stock obsolescence	(9,048)	-
Impairment of consumables inventories	(339)	-
Impairment of mine properties	(712,917)	-
Impairment of property, plant and equipment	(178,544)	-
Impairment of deferred acquisition, exploration and evaluation	(19,219)	-
Impairment of non-current other receivables	(134,169)	-
Administration expenses	(30,979)	(27,952)
Exploration expenses	(1,014)	(116)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	(1,073,391)	190,366
Finance costs	(2,929)	(5,627)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	(1,076,320)	184,739
Tax benefit/(expense)	91,583	(68,879)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	(984,737)	115,860
DISCONTINUED OPERATIONS		
Profit/(loss) after tax for the year from discontinued operations	(21,915)	6,181
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY	(1,006,652)	122,041

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	2015 $'000	2014 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	89,878	67,369
Term deposits	243,000	449,300
Trade and other receivables	14,972	51,948
Inventories	20,616	67,123
Prepayments	3,190	3,350
Derivative financial assets	-	2,395
Income tax receivable	-	9,661
TOTAL CURRENT ASSETS	**371,656**	**651,146**
NON-CURRENT ASSETS		
Other receivables	3,865	130,757
Property, plant and equipment	24,889	187,522
Deferred acquisition, exploration and evaluation costs	2,924	21,863
Mine properties	3,205	655,731
Deferred tax assets	-	37,557
TOTAL NON-CURRENT ASSETS	**34,883**	**1,033,430**
TOTAL ASSETS	**406,539**	**1,684,576**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	45,087	120,226
Interest-bearing loans and borrowings	2,619	7,294
Provisions	13,561	15,030
TOTAL CURRENT LIABILITIES	**61,267**	**142,550**
NON-CURRENT LIABILITIES		
Provisions	39,579	45,197
Interest-bearing loans and borrowings	119	2,162
Deferred tax liabilities	-	137,420
TOTAL NON-CURRENT LIABILITIES	**39,698**	**184,779**
TOTAL LIABILITIES	**100,965**	**327,329**
NET ASSETS	**305,574**	**1,357,247**
EQUITY		
Issued capital	568,328	568,328
Retained earnings / (accumulated losses)	(1,243,797)	770,748
Reserves	981,043	18,171
TOTAL EQUITY	**305,574**	**1,357,247**

Notes to the Consolidated Financial Report (continued)

11. Property, Plant and Equipment

	Land		Plant and equipment		Plant and equipment under lease		Buildings		Capital works in progress		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost	654	654	308,894	265,791	73,657	94,615	138,047	141,364	2,420	14,719	523,672	517,143
Accumulated depreciation and impairment	(519)	-	(285,054)	(146,393)	(72,586)	(81,662)	(132,681)	(65,902)	(1,338)	-	(492,178)	(293,957)
Net carrying amount	**135**	**654**	**23,840**	**119,398**	**1,071**	**12,953**	**5,366**	**75,462**	**1,082**	**14,719**	**31,494**	**223,186**
Reconciliation												
Carrying amount at the beginning of the year	654	654	119,398	127,990	12,953	31,445	75,462	68,462	14,719	19,373	223,186	247,924
Additions	-	-	45,132	25,658	-	-	2,683	22,524	4,125	936	51,940	49,118
Transfers	-	-	11,455	(56)	(205)	-	798	153	(12,048)	(97)	-	-
Disposals	-	-	(1,249)	(22)	(42)	(1,030)	-	-	-	-	(1,291)	(1,052)
Depreciation expense	-	-	(23,927)	(34,172)	(6,773)	(17,462)	(6,166)	(15,677)	-	-	(36,866)	(67,311)
Depreciation capitalised	-	-	(22)	-	-	-	-	-	-	-	(22)	-
Impairment loss	(519)	-	(126,947)	-	(4,862)	-	(67,411)	-	(3,474)	-	(203,213)	-
Transfers to mine properties	-	-	-	-	-	-	-	-	(2,240)	(5,493)	(2,240)	(5,493)
Carrying amount at the end of the year	**135**	**654**	**23,840**	**119,398**	**1,071**	**12,953**	**5,366**	**75,462**	**1,082**	**14,719**	**31,494**	**223,186**
Assets pledged as security	135	654	23,840	119,398	1,071	12,953	5,366	75,462	1,082	14,719	31,494	223,186

Refer note 16 for details of security arrangements

Property, plant and equipment has been assessed for impairment at balance date, with the carrying values of property, plant and equipment associated with the Koolan Island operation written down to their fair values less costs to sell. These fair values have been assessed by reference to market prices for similar assets and to the Group's recent experiences with asset sales (Level 3 on the fair value hierarchy). The write-downs reflect the current depressed market for plant and equipment sales, the isolation of the site and the estimated removal, demobilisation and selling costs.

Notes to the Consolidated Financial Report (continued)

11. Property, Plant and Equipment (Continued)

Recognition and measurement

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

Depreciation and amortisation

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. Refer note 14 for further details on impairment.

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.

Key estimates and assumptions: units of production method of depreciation and amortisation

The Group applies the units of production method of depreciation and amortisation 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 timeframes, 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 may be 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.

	Notes	2015 $'000	2014 $'000

12. Deferred Acquisition, Exploration and Evaluation Costs

	Notes	2015 $'000	2014 $'000
Deferred acquisition, exploration and evaluation – at cost		22,143	21,863
Allowance for impairment	[i]	(19,219)	-
		2,924	**21,863**
Reconciliation			
Carrying amount at beginning of the year		21,863	861
Additions		4,294	21,118
Write back of accrued acquisition costs		(3,000)	-
Impairment loss		(19,219)	-
Exploration expenditure written off		(1,014)	(116)
Carrying amount at the end of the year		2,924	21,863

[i] The Group reviews the carrying value of its assets at each balance date. During the year, as set out in note 14, a number of material events occurred which, for the purposes of the Company's deferred acquisition, exploration and evaluation costs for the Shine Project, indicated that the carrying amount of the asset was unlikely to be recovered from its development or sale. Accordingly, the carrying amount for the Shine Project of $17,674,000 was assessed on the basis of its fair value less costs to sell by reference to forecast future cashflows (Level 3 on the Fair Value hierarchy), and fully impaired as at 30 June 2015. The following assumptions were used in assessing the impairment for the Shine Project carrying value:

- Cashflow forecasts were based on the latest internal estimates for the life of mine;
- Discount rate of 21.4% (nominal, before tax) and 15.0% (nominal, after tax);
- Revenue and cost inflation estimates of 2.5% per year; and
- Base case iron ore price forecast for the 62% Fe benchmark fines CFR price (northern China) of US$55/dmt at an exchange rate of A$1.00/US$0.72, with sensitivities undertaken for a range of these inputs.

It is estimated that changes in key assumptions would impact recoverable amounts at 30 June 2015 as follows:

- An increase in the benchmark 62% Fe fines CFR iron ore price by 10% to US$60/dmt would not impact the impairment.
- A reduction in the A$/US$ exchange rate by 10% to A$1.00/US$0.65 would not impact the impairment.

The Group's deferred acquisition, exploration and evaluation costs for the Fields Find Project with a carrying amount of $2,196,000 was assessed based on fair value less costs to sell by reference to a recent offer (Level 3 on the Fair Value hierarchy), and was impaired to $650,000 as at 30 June 2015.

Recognition and measurement

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.

Key estimates and assumptions : 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.

Notes to the Consolidated Financial Report (continued)

	2015 $'000	2014 $'000

13. Mine Properties

	2015	2014
Mine development expenditure	1,537,337	1,442,621
Accumulated amortisation and impairment	(1,534,132)	(786,890)
	3,205	**655,731**

	Koolan Island		Tallering Peak		Extension Hill		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Reconciliation	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred waste								
Carrying amount at the beginning of the period	354,204	279,193	-	12,574	-	-	354,204	291,767
Deferred waste capitalised	92,683	151,028	-	1,099	-	-	92,683	152,127
Amortisation expensed	(20,117)	(76,017)	-	(13,673)	-	-	(20,117)	(89,690)
Impairment loss (note 14)	(426,770)	-	-	-	-	-	(426,770)	-
Carrying amount at the end of the period	**-**	**354,204**	**-**	**-**	**-**	**-**	**-**	**354,204**
Other mine properties								
Carrying amount at the beginning of the period	276,877	336,715	-	2,559	24,650	30,172	301,527	369,446
Additions	-	-	-	11	-	-	-	11
Mine rehabilitation – revised estimate adjustment	181	(32,853)	-	-	(388)	(232)	(207)	(33,085)
Transferred from capital works in progress	2,240	5,493	-	-	-	-	2,240	5,493
Amortisation expensed	(8,392)	(32,478)	-	(2,570)	(5,816)	(5,290)	(14,208)	(40,338)
Impairment loss (note 14)	(270,906)	-	-	-	(15,241)	-	(286,147)	-
Carrying amount at the end of the period	**-**	**276,877**	**-**	**-**	**3,205**	**24,650**	**3,205**	**301,527**
Total mine properties	**-**	**631,081**	**-**	**-**	**3,205**	**24,650**	**3,205**	**655,731**

The security pledged for financing facilities includes mining mortgages over the mining tenements and contractual rights to mine hematite deposits owned by the Group. Refer note 16.

Notes to the Consolidated Financial Report (continued)

13. Mine Properties (Continued)

Recognition and measurement

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 or relevant component thereof 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 within mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on the 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 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 orebody component. 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 the mining of mineral resources 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. Impairment expenses are recognised to the extent that the carrying amount of the mine properties asset exceeds its estimated recoverable amount. Refer to note 14 for further details on impairment.

Key judgement: deferred waste

Significant judgement is required in determining the waste 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.

14. Impairment of Assets

The Group reviews the carrying value of its assets at each balance date. During the year ended 30 June 2015, the following material events occurred which were considered indicators of impairment:

- the benchmark price of iron ore, being the Company's sole product, decreased significantly from US$93 per dry metric tonne (dmt) as at 30 June 2014 to US$59.50/dmt as at 30 June 2015, a reduction of 36%, and has declined further since period end;
- the Company's Koolan Island operation suffered a major failure of the Main Pit seawall resulting in the pit being inundated with seawater from the adjacent channel, and the cessation of mining activities in the pit. Assessment of potential engineering solutions is underway, and discussions with the Group's insurers are continuing; and
- as at 30 June 2015, the market capitalisation of the Group was below the book value of its equity.

Koolan Island and Extension Hill Cash Generating Units ("**CGU**") comprise assets used in the mining, crushing and sale of iron ore.

Accordingly, the Group has performed an impairment assessment on both the Koolan Island and Extension Hill CGU. Based on this assessment, the following impairment amounts have been recognised in the financial report for each CGU:

	2015 $'000	2014 $'000
Koolan Island	844,430	-
Extension Hill	71,700	-
Total loss on impairment of non-current assets	**916,130**	**-**

The above impairment values have been allocated proportionately to each CGU's non-current assets as follows:

	Koolan Island		Extension Hill		Total	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Deferred waste	426,770	-	-	-	426,770	-
Other mine properties	270,906	-	15,241	-	286,147	-
Total mine properties	697,676	-	15,241	-	712,917	-
Property, plant and equipment	146,754		56,459		203,213	
Total impairment of non-current assets	**844,430**	**-**	**71,700**	**-**	**916,130**	**-**

The Group assessed the recoverable amount of each CGU as at 30 June 2015 which is considered to be the higher of the fair value less cost to sell and Value-In-Use ("**VIU**"). The Group has used the VIU method where VIU is assessed as the present value of future cash flows expected to be derived from the relevant CGU under review.

The following assumptions were used in determining the VIU for each CGU:

- Cashflow forecasts for the life of each CGU were made based on recent actual performance, budgets and anticipated revenues and estimated operating and capital costs over the relevant life of mine. For Koolan Island, the VIU is assessed based on anticipated mining in the Acacia East satellite pit, to be completed in the 2015/16 financial year;
- Discount rate for Extension Hill and Koolan Island of 12% (nominal, before and after tax);
- Revenue and cost inflation estimates of 2.5% per year; and
- Base case iron ore price forecast for the 62% Fe benchmark fines CFR price (northern China) of US$55/dmt at an exchange rate of A$1.00/US$0.72, with sensitivities undertaken for a range of these inputs.

The cashflow estimates for the Koolan Island and Extension Hill CGUs are most sensitive to changes in iron ore prices and the A$/US$ foreign exchange rate. It is estimated that changes in key assumptions would impact recoverable amounts as 30 June 2015 as follows:

- An increase in the benchmark 62% Fe fines CFR iron ore price by 10% to US$60/dmt would not impact the impairment for Koolan Island and would reduce the impairment for Extension Hill by approximately $26 million.
- A reduction in the A$/US$ exchange rate by 10% to A$1.00/US$0.65 would not impact the impairment for Koolan Island and would reduce the impairment for Extension Hill by approximately $24 million.

As at 30 June 2015, the recoverable amount of the Koolan Island CGU is nil and Extension Hill CGU is $23,000,000. Refer to note 11 for fair value less costs to sell of property, plant and equipment at Koolan Island.

14. Impairment of Assets (Continued)

Recognition and measurement

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 where 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.

Key judgement and estimates

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.

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. 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.

Notes to the Consolidated Financial Report (continued)

	Notes	2015 $'000	2014 $'000

15. Trade and Other Payables

	Notes	2015 $'000	2014 $'000
Current			
Trade creditors	[a]	17,967	46,356
Accruals and other payables	[a]	31,697	78,845
		49,664	**125,201**

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

Recognition and measurement

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.

	Notes	2015 $'000	2014 $'000

16. Interest-Bearing Loans and Borrowings

	Notes	2015 $'000	2014 $'000
Current			
Hire purchase facility	[a]	2,619	7,294
		2,619	**7,294**
Non-Current			
Hire purchase facility	[a]	119	2,162
		119	**2,162**

Financing facilities available

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

	Notes	2015 $'000	2014 $'000
Total facilities:			
• Hire purchase facility	[a]	2,738	9,456
• Performance bonding facility	[b]	65,000	65,000
		67,738	**74,456**
Facilities used at reporting date:			
• Hire purchase facility		2,738	9,456
• Performance bonding facility		41,788	57,221
		44,526	**66,677**
Facilities unused at reporting date:			
• Hire purchase facility		-	-
• Performance bonding facility		23,212	7,779
		23,212	**7,779**

Notes to the Consolidated Financial Report (continued)

16. Interest-Bearing Loans and Borrowings (Continued)

Terms and conditions relating to the above financial facilities:

[a] **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 7.66% 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$.

[b] **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 $41.8 million as at 30 June 2015, expires on 30 June 2017 unless extended prior to this date.

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 Pty Ltd, 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.

Subsequent to the end of the financial period, the Group and the Performance Bond Facility provider agreed to a reduction in the amount of the facility from $65.0 million to $55.0 million and terms allowing the Group, at its option, to provide revolving cash collateral in exchange for significantly reduced facility fees.

Recognition and measurement

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.

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)

		2015 $'000	2014 $'000

17. Provisions

		2015 $'000	2014 $'000
Current			
Employee benefits		3,995	8,927
Road resealing	[i]	2,111	833
Restructure	[ii]	3,520	5,510
Decommissioning rehabilitation	[iii]	4,008	-
Other		168	-
		13,802	**15,270**
Non-Current			
Employee benefits		171	400
Decommissioning rehabilitation	[iii]	39,218	44,802
Other		195	-
		39,584	**45,202**

Movement in provisions:

[i] Road Resealing

Carrying amount at beginning of the year	833	633
Provision for period	1,278	400
Amounts utilised during the period	-	(200)
Carrying amount at end of the year	2,111	833

This provision relates to the forecast cost of roadworks associated with the Tallering Peak and Extension Hill mine sites. Payments to the relevant local government authorities are made annually.

[ii] Restructure

Carrying amount at beginning of the year	5,510	5,437
Provision for period	5,272	693
Amounts utilised during the period	(7,262)	(620)
Carrying amount at end of the year	3,520	5,510

This provision relates to the forecast costs associated with release of personnel on the wind down of Koolan Island operations and Head Office, which is expected to occur by 30 June 2016.

[iii] Decommissioning Rehabilitation

Carrying amount at beginning of the year	44,802	77,580
Revised estimate adjustment	(1,707)	(33,085)
Amounts utilised during the period	(1,111)	(2,110)
Interest accretion on rehabilitation provision	1,242	2,417
Carrying amount at end of the year	43,226	44,802

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 and on the timing of the rehabilitation requirements, which may vary in future.

Tallering Peak (2015: current; 2014: non-current)	4,008	6,472
Koolan Island	31,670	30,640
Extension Hill	7,548	7,690
	43,226	44,802

Notes to the Consolidated Financial Report (continued)

17. Provisions (Continued)

Recognition and measurement

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.

Annual leave and long service leave

The Group expects its annual leave benefits to be settled wholly within 12 months of each reporting date. They are measured at the amount expected to be paid when the liabilities are settled.

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 corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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.

Restructuring provision

Restructuring provisions are recognised by the Group only when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Other 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.

Key judgement : mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy stated above. 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.

	2015 $'000	2014 $'000

18. Issued Capital

[a] Ordinary shares

	2015 $'000	2014 $'000
Issued and fully paid	**568,328**	**568,328**

[b] Movement in ordinary shares on issue

		2015 Number of Shares	2015 $'000	2014 Number of Shares	2014 $'000
Beginning of the financial year		1,090,584,232	568,328	1,090,584,232	568,328
Exercise of performance rights	[i]	220,853	-	-	-
Deferred income tax on capital raising cost		-	-	-	-
End of the financial year		**1,090,805,085**	**568,328**	**1,090,584,232**	**568,328**

[i] On 9 July 2014, 220,853 shares were issued as a result of the vesting of the equivalent number of performance rights for 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 2015, there were no options on issue (2014: nil) – see note 22(b).

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

[e] Performance rights

As at 30 June 2015, there were 1,185,850 performance rights on issue (2014: 1,832,688) – see note 22(c).

[f] Capital management

The primary objectives of the Group's capital management program are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to 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 2015 and 30 June 2014.

	Notes	2015 $'000	2014 $'000

19. Reserves

	Notes	2015 $'000	2014 $'000
Share based payments reserve	[a]	19,973	19,687
Net unrealised gains reserve	[b]	-	1,676
Dividend distribution reserve	[c]	964,262	-
Other reserves	[d]	(3,192)	(3,192)
		981,043	**18,171**

[a] Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

		2015 $'000	2014 $'000
Balance at the beginning of the year		19,687	19,160
Share based payments		286	527
Balance at the end of the year		19,973	19,687

[b] Net unrealised gains reserve

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

		2015 $'000	2014 $'000
Balance at the beginning of the year		1,676	(3,225)
Net gains/(losses) on cash flow hedges		(2,395)	7,002
Deferred income tax on cash flow hedges		719	(2,101)
Balance at the end of the year		-	1,676

[c] Dividend distribution reserve

This reserve is used to record profits from prior income years for the purpose of future dividend distribution by the Company.

	Notes	2015 $'000	2014 $'000
Balance at the beginning of the year		-	-
Transferred from retained earnings	20	964,262	-
Balance at the end of the year		964,262	-

[d] 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.

		2015 $'000	2014 $'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)

20. Retained Earnings / (Accumulated Losses)

	Notes	2015 $'000	2014 $'000
Balance at the beginning of the year		675,519	600,978
Dividends paid during the period	24(a)	(43,632)	(21,812)
Transferred to reserve	19[c]	(964,262)	-
Net profit/(loss) attributable to members of the Company		(911,422)	96,353
Balance at the end of the year		**(1,243,797)**	**675,519**

Notes to the Consolidated Financial Report (continued)

	Notes	2015 $'000	2014 $'000
21. Expenditure Commitments			
[a] Exploration Expenditure Commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		1,351	1,159
• Later than one year but not later than five years		3,320	3,121
• Later than five years		1,780	2,221
		6,451	**6,501**
[b] Operating Lease Commitments	[ii]		
Minimum lease payments			
• Not later than one year		1,334	6,562
• Later than one year but not later than five years		3,052	3,026
• Later than five years		-	-
		4,386	**9,588**
[c] Hire Purchase Commitments	[iii]		
Minimum lease payments			
• Not later than one year		2,706	7,637
• Later than one year but not later than five years		120	2,249
Total minimum lease payments		2,826	9,886
Future finance charges		(88)	(430)
		2,738	**9,456**
Total hire purchase liability accrued for:			
Current			
Hire purchase facility	16	2,619	7,294
Non-Current			
Hire purchase facility	16	119	2,162
		2,738	**9,456**
[d] Property, plant and equipment commitments	[iv]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		198	6,504
• Later than one year but not later than five years		-	-
		198	**6,504**
[e] Contractual commitments	[v]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		61,047	57,268
• Later than one year but not later than five years		2,689	41,443
		63,736	**98,711**

Notes to the Consolidated Financial Report (continued)

[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 5 years.

[iii] Hire purchase liabilities have an average term of 4.7 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 7.66% pa (2014: 7.43% pa). Hire purchase liabilities are secured by a charge over the relevant assets.

[iv] The Group has contractual commitments to purchase property, plant and equipment at Koolan Island and Extension Hill.

[v] Amounts disclosed as contractual commitments relate primarily to contracts in respect of mining and transport that are not recognised as liabilities. The Group has various supplier agreements in place for its Extension Hill operation, some of which contain financial obligations for the Group upon early termination thereof. As at 30 June 2015, these early termination obligations were estimated to total approximately $45,000,000 related mostly to infrastructure access and ore transport. These obligations reduce progressively with cumulative transport tonnages over the life of the Extension Hill operation.

	Notes	2015 $'000	2014 $'000
22. Share-Based Payment Plans			
(a) Recognised share-based payment expense			
Expense arising from equity-settled share-based payment transactions	3[c]	286	527

The share-based payment plans are described below. There have been no cancellations of any of the plans during 2015 and 2014.

(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 2015. 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:

	2015		2014	
	No. of Options	Weighted average exercise price (cents)	No. of Options	Weighted average exercise price (cents)
Balance at beginning of year	-	-	-	-
- granted	-	-	-	-
- forfeited	-	-	-	-
- 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 recipient 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.

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%

22. Share-Based Payment Plans (Continued)

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

	2015 No. of Performance Rights	2014 No. of Performance Rights
Balance at beginning of year	1,832,688	904,908
- granted	-	952,600
- exercised	(220,853)	-
- lapsed/forfeited	(425,985)	(24,820)
Balance at year end	**1,185,850**	**1,832,688**

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

	2015	2014
Accounting grant date	-	01-Jul-13
Share price at accounting grant date	-	$0.46
Risk free interest rate	-	2.90%
Volatility factor	-	50%
Value of Performance Right on effective grant date	-	$0.27

Recognition and measurement

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)

23. 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:

	2015 $'000	2014 $'000
Profit/(loss) used in calculating basic and diluted earnings/(loss) per share	(1,008,505)	96,353
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	1,090,805,085	1,090,584,232
Effect of dilution		
- Performance rights	-	220,853
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	1,090,805,085	1,090,805,085
Earnings/(loss) per Share (cents per share):		
Basic earnings/(loss) per share	(83.56)	8.84
Diluted earnings/(loss) per share	(83.56)	8.83

Conversions, calls, subscriptions or issues after 30 June 2015

No options were outstanding at 30 June 2015. 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.

Recognition and measurement

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.

Notes to the Consolidated Financial Report (continued)

	2015 $'000	2014 $'000

24. Dividends Paid and Proposed

Declared and paid during the year:

(a) Dividends on ordinary shares:

	2015 $'000	2014 $'000
Final fully franked dividend for 2013: 2.0 cents per share	-	21,812
Final fully franked dividend for 2014: 4.0 cents per share	43,632	-
	43,632	**21,812**

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

A final dividend for the 2014/15 financial year has not been declared given the presently depressed iron ore price environment and the recent failure of the Main Pit seawall at the Group's Koolan Island operation.

(c) Franked dividends:

	2015 $'000	2014 $'000
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%	61,485	88,142
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	15,488
	61,485	**103,630**
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)
	61,485	**84,930**

Tax rates

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

25. Contingent Liabilities

1. The Group has a Performance Bonding facility drawn to a total of $41,788,000 (2014: $57,221,000). The performance bonds secure the Group's obligations relating primarily to environmental matters and historical infrastructure upgrades.
2. 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)

26. Key Management Personnel

[a] Compensation of Key Management Personnel

	2015 $	2014 $
Short-term	2,602,432	3,587,635
Post employment	171,361	170,811
Long-term	5,223	3,169
Share-based payment	286,211	534,059
Termination payment	471,229	-
	3,536,456	**4,295,674**

[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.

27. Related Party Transactions

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 was a director 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 a 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 394,327 WMT (2014: 1,024,088 WMT) of iron ore to APAC; and
- Sold 1,364,123 WMT (2014: 4,205,210 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:

	2015 $'000	2014 $'000
Assets and Liabilities		
Current Assets		
Trade receivables – APAC	-	6,562
Trade receivables – SCIT	2,105	16,609
Total trade receivables	2,105	23,171
Total Assets	**2,105**	**23,171**
Current Liabilities		
Trade payables – APAC	129	-
Trade payables – SCIT	-	-
Total trade payables	129	-
Total Liabilities	**129**	**-**
Revenues and Expenses		
Sale of goods – APAC	25,921	87,683
Sale of goods – SCIT	66,857	418,482
Total Sale of Goods	**92,778**	**506,165**

Apart from the above, there are no director-related entity transactions other than those specified in note 26.

28. Auditor's Remuneration

	2015 $	2014 $
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	222,480	247,200
▪ Other services in relation to the entity and any other entity in the consolidated entity	3,600	4,000
	226,080	**251,200**

	2015 $'000	2014 $'000

29. Discontinued Operations

The Tallering Peak operation is reported as a discontinued operation in this financial report. Mining was completed in June 2014 with the final ore shipment sold in December 2014.

[a] Profit/(loss) from discontinued operations

The financial results of Tallering Peak operation for the year are presented below:

	2015 $'000	2014 $'000
Revenue	8,987	237,808
Cost of sales	(21,113)	(221,491)
Impairment of ore inventories	(6,084)	-
Gross profit/(loss)	(18,210)	16,317
Other expenses	(878)	-
Profit/(loss) before tax and finance costs from discontinued operations	(19,088)	16,317
Finance costs	(2)	(71)
Profit/(loss) before tax from discontinued operations	(19,090)	16,246
Income tax benefit/(expense)	(2,825)	(10,065)
Net profit/(loss) after tax from discontinued operations	(21,915)	6,181
Earnings/(loss) per share (cents per share):		
▪ basic earnings/(loss) per share	(2.01)	0.57
▪ diluted earnings/(loss) per share	(2.01)	0.57

[b] Cash flow from discontinued operations

The net cash flows incurred by Tallering Peak operation are as follows:

	2015 $'000	2014 $'000
Operating	(18,196)	95,167
Investing	-	(1,074)
Financing	(231)	(3,283)
Net cash inflow/(outflow) from discontinued operations	**(18,427)**	**90,810**

Notes to the Consolidated Financial Report (continued)

30. 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.

Previously, management had determined that all operating segments qualified to be aggregated to form one reportable segment on the basis that they had similar economic characteristics. In the current year, due to the change in economic characteristics at Koolan Island arising from the Main Pit seawall failure, the change in focus to remnant mining in the Acacia East satellite pit and the planned placement onto care and maintenance, and pursuit of the seawall insurance claim, management has determined that the operating segments do not meet the criteria for aggregation. 2014 comparative information has been re-presented in line with this change.

For management purposes, the Group has organised its operating segments into two reportable segments as follows:

- Extension Hill segment – this segment includes the mining, crushing, transportation and sale of iron ore.
- Koolan Island segment – this segment includes the mining, crushing and sale of iron ore. Activities are presently expected to be completed by December 2015, following which the site will be placed on care and maintenance.

Operating results for each reportable segment are reviewed separately by management for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

There have been no inter-segment transactions.

Items that are managed on a Group basis and are not allocated to segments as they are not considered part of core operations of any segment are as follows:

- Finance costs and revenue
- Interest revenue
- Foreign exchange gains / (losses)
- Corporate costs

Operating results for discontinued operations have been excluded from the segment results below.

During the year ended 30 June 2015, 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	2015 $'000
# 1	102,471
# 2	65,966
# 3	64,174
# 4	26,517
Other	64,294
	323,422

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	268,289
# 2	155,456
# 3	107,985
# 4	56,158
Other	71,767
	659,655

Revenue from external customers by geographical location is based on location of the customer. In the year ended 30 June 2015, approximately 2% (2014: 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.

Notes to the Consolidated Financial Report (continued)

30. Segment Information (Continued)

	Extension Hill		Koolan Island		Other*		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Segment revenue								
Revenue from sale of iron ore	204,307	307,727	111,337	352,434	-	-	315,644	660,161
Other revenue	-	-	-	-	12,209	15,549	12,209	15,549
Segment revenue	**204,307**	**307,727**	**111,337**	**352,434**	**12,209**	**15,549**	**327,853**	**675,710**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	32,306	130,143	535	193,258	(9,740)	(2,215)	23,101	321,186
Impairment losses	(71,700)	-	(848,211)	-	(19,219)	-	(939,130)	-
Earnings/(loss) before interest, tax, depreciation and amortisation	(39,394)	130,143	(847,676)	193,258	(28,959)	(2,215)	(916,029)	321,186
Depreciation and amortisation	(22,921)	(28,139)	(46,801)	(139,423)	(735)	(545)	(70,457)	(168,107)
Segment result	**(62,315)**	**102,004**	**(894,477)**	**53,835**	**(29,694)**	**(2,760)**	**(986,486)**	**153,079**
Finance costs							(2,929)	(5,627)
Profit/(loss) before tax and discontinued operations							**(989,415)**	**147,452**
Items included in segment result:								
Impairment of consumables inventories	-	-	339	-	-	-	339	-
Impairment of ore inventories	-	-	3,442	-	-	-	3,442	-
Impairment of property, plant and equipment	56,459	-	146,754	-	-	-	203,213	-
Impairment of mine development	15,241	-	697,676	-	-	-	712,917	-
Impairment of exploration and evaluation expenditure	-	-	-	-	19,219	-	19,219	-
	71,700	-	848,211	-	19,219	-	939,130	-

* 'Other' includes interest revenue and corporate expenses such as head office salaries and wages.

30. Segment Information (Continued)

	Extension Hill		Koolan Island		Other		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Segment assets								
Current financial assets	12,424	27,811	6,331	22,954	330,602	534,066	349,357	584,831
Other current assets	9,500	10,221	12,452	39,390	2,430	21,430	24,382	71,041
Property, plant and equipment	7,897	48,242	15,306	135,453	8,291	39,491	31,494	223,186
Deferred acquisition, exploration and evaluation	2,274	1,194	-	308	650	20,361	2,924	21,863
Mine properties	3,205	24,650	-	631,081	-	-	3,205	655,731
Tax assets	-	19,389	-	108,363	-	(81,753)	-	45,999
Total assets	**35,300**	**131,507**	**34,089**	**937,549**	**341,973**	**533,595**	**411,362**	**1,602,651**
Segment liabilities								
Financial liabilities	32,362	38,454	11,641	64,458	8,399	31,745	52,402	134,657
Tax liabilities	-	568	-	194,669	-	(49,733)	-	145,504
Other liabilities	9,916	9,897	35,777	34,521	7,693	16,054	53,386	60,472
Total liabilities	**42,278**	**48,919**	**47,418**	**293,648**	**16,092**	**(1,934)**	**105,788**	**340,633**
Net assets/(liabilities)	**(6,978)**	**82,588**	**(13,329)**	**643,901**	**325,881**	**535,529**	**305,574**	**1,262,018**
Capital expenditure	2,983	5,815	47,914	40,793	6,330	2,510	57,227	49,118

Notes to the Consolidated Financial Report (continued)

31. Events After the Balance Sheet Date

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.

32. 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$. The Group has used derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ 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 2015, the Group delivered into US dollar foreign exchange forward contracts totalling US$155,000,000 at a weighted average exchange rate of A$1.00/US$0.9035.

At 30 June 2015, the notional amount of the foreign exchange hedge book was $nil. The Group will consider entering into new foreign exchange hedging contracts as the business need arises.

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 from time to time as business needs and conditions dictate:

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)

32. Financial Instruments (Continued)

[i] Foreign exchange contracts – cash flow hedges

At balance date, the following foreign exchange contracts designed as a hedge of anticipated future receipts that will be denominated in US$ were outstanding:

	2015				2014			
	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
Total	**-**	**-**	**-**	**-**	**0.9118**	**81,000**	**88,839**	**2,395**

	Notes	2015 $'000	2014 $'000
Current assets	9	-	2,395
Total forward exchange contracts		-	2,395

	Notes	2015 $'000	2014 $'000
Movement in forward exchange contract cash flow hedge reserve:			
Opening balance		2,395	(4,607)
Change in fair value of cash flow hedges net of tax		5,334	6,837
Transferred from/(to) revenue in Income Statement net of tax			
- Continuing operations	2[a]	(7,778)	506
- Discontinued operations		49	(341)
Closing balance		-	2,395
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 2015 and 30 June 2014 due to changes in the fair value of monetary assets and liabilities.

	Net Profit		Other Comprehensive Income	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
10% appreciation in the A$ spot rate with all other variables held constant	(781)	(2,559)	-	7,148
10% depreciation in the A$ spot rate with all other variables held constant	955	3,128	-	(5,010)

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.

Notes to the Consolidated Financial Report (continued)

32. Financial Instruments (Continued)

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

		2015 $'000	2014 $'000
Financial Assets			
Cash	(included within note 5)	3,919	2,227
Trade receivables	(included within note 7)	9,193	38,009
Financial Liabilities			
Trade payables	(included within note 15)	(841)	(22)
Net exposure		**12,271**	**40,214**

[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)

32. Financial Instruments (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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 %	2014 %
i) ***Financial assets***												
Cash	46,001	55,466	-	-	-	-	2	5	**46,003**	**55,471**	2.07	1.58
Short-term deposits (< 3 months maturity)	-	-	45,000	15,000	-	-	-	-	**45,000**	**15,000**	2.59	3.50
Term deposits (> 3 months maturity)	33,000	15,000	210,000	434,300	-	-	-	-	**243,000**	**449,300**	3.23	3.57
Trade and other receivables	-	-	-	-	-	-	15,354	53,004	**15,354**	**53,004**	-	-
Derivative financial assets	-	-	-	-	-	-	-	2,395	**-**	**2,395**	-	-
Total financial assets	**79,001**	**70,466**	**255,000**	**449,300**	**-**	**-**	**15,356**	**55,404**	**349,357**	**575,170**		
ii) ***Financial liabilities***												
Trade and other payables	-	-	-	-	-	-	49,664	125,201	**49,664**	**125,201**	-	-
Hire purchase liabilities	-	-	2,619	7,294	119	2,162	-	-	**2,738**	**9,456**	7.66	7.43
Total financial liabilities	**-**	**-**	**2,619**	**7,294**	**119**	**2,162**	**49,664**	**125,201**	**52,402**	**134,657**		

32. Financial Instruments (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 2015 and 30 June 2014.

	Net Profit		Other Comprehensive Income	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
• 1% increase in interest rate with all other variables held constant	2,016	3,250	-	-
• 1% decrease in interest rate with all other variables held constant	(2,016)	(3,250)	-	-

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 majority of 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.

Notes to the Consolidated Financial Report (continued)

32. Financial Instruments (Continued)

[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 2015, the Group had unutilised performance bonding facilities totalling $23,212,000 (2014: $7,779,000). Refer note 16.

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 2015					30 June 2014				
	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	49,664	-	-	-	**49,664**	125,201	-	-	-	**125,201**
Hire purchase liabilities	1,811	895	120	-	**2,826**	5,556	2,082	2,248	-	**9,886**
Derivatives – Gross Inflow	-	-	-	-	**-**	(91,252)	-	-	-	**(91,252)**
Derivatives – Gross Outflow	-	-	-	-	**-**	88,857	-	-	-	**88,857**
	51,475	**895**	**120**	**-**	**52,490**	**128,362**	**2,082**	**2,248**	**-**	**132,692**

[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 of 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 values of derivative financial instruments are determined using the Level 2 method requiring fair value to be calculated using short and long term 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.

32. Financial Instruments (Continued)

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 30 June 2015 are shown below.

	2015		2014	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets - current				
Cash	46,003	46,003	55,471	55,471
Short-term deposits	45,000	45,000	15,000	15,000
Term deposits	243,000	243,000	449,300	449,300
Trade debtors	10,402	10,402	41,802	41,802
Other receivables	4,952	4,952	11,202	11,202
Derivatives	-	-	2,395	2,395
	349,357	349,357	575,170	575,170
Financial liabilities – current				
Trade and other payables	49,664	49,664	125,201	125,201
Hire purchase liabilities	2,619	2,619	7,294	7,294
	52,283	52,283	132,495	132,495
Financial liabilities – non current				
Hire purchase liabilities	119	119	2,162	2,162
	119	119	2,162	2,162
Net financial assets	**296,955**	**296,955**	**440,513**	**440,513**

Recognition and measurement

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.

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.

Effectiveness is tested at inception of each hedge and monthly thereafter until the hedge expires. The cumulative dollar offset method is applied in the measurement of effectiveness. The cumulative approach involves comparing the cumulative change (to date from inception of the hedge) in the hedging instrument's fair values to the cumulative change in the hedged item's (or USD cash flow) attributable to the risk being hedged.

Effectiveness of the forward exchange contracts is monitored by comparing the forward net present value of the underlying cash flows to the forward net present value of the fair value associated with the hedging instrument. Prospective and retrospective testing is undertaken by the Group's treasury advisors.

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.

33. Parent Entity Information

	2015 $'000	2014 $'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	423	10,388
Total assets	606,434	672,723
Current liabilities	306	444
Total liabilities	300,860	246,320
Issued capital	568,328	568,328
Accumulated losses	(282,727)	(161,612)
Share based payments reserve	19,973	19,687
Total Shareholder's Equity	305,574	426,403
Net loss after tax of the parent entity	(109,432)	(2,132)
Total comprehensive loss of the parent entity	(109,432)	(2,132)

[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 notes 10 and 16.

The parent entity has further provided bank guarantees in respect of obligations to various authorities. Refer to note 16.

[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 25. 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.

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 2015 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 2015.

Signed in accordance with a resolution of the directors.

SIMON BIRD
Lead Independent Non-Executive Director

Sydney, 18 August 2015

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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 2015, 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 2015 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

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

Opinion

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
18 August 2015