



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

22 August 2013

Profit Result for Year Ended 30 June 2013 & Declaration of Final Dividend

KEY POINTS *(All figures in Australian dollars unless stated otherwise)*

- Record full year sales revenue of **\$852.9 million** (FY2012: \$648.5 million) on record ore sales
- Strong net profit after tax of **\$157.3 million** (FY2012: \$162.0 million), inclusive of a \$64.5 million MRRT non-cash accounting tax credit
- Underlying net profit after tax of **\$92.9 million**, excluding MRRT tax credit¹
- Increase in cash and term deposits by **\$83.3 million to \$376.0 million** at 30 June (FY2012: \$292.7 million)
- Net operating cashflow **more than trebled to \$179.7 million** (FY2012: \$56.2 million)
- Total Cost of Goods Sold of **\$79.61/wet metric tonne**, including royalties (FY2012: \$79.34/wmt)
- Cash expenditure reduction of **\$140 million** against original plan
- Permanent ongoing savings of at least **\$50 million per year** identified
- Final fully franked cash dividend of **2.0 cents per share** (FY2012: 2.0 cents), bringing the total dividend for the financial year to 4.0 cents per share (FY2012: 4.0 cents)
- Growth in FY2014 sales, with guidance of **9.0 to 9.5 million tonnes**

Results for 12 months ended 30 June 2013 compared with the prior corresponding 12 month period:		12 months ended 30 June 2013	12 months ended 30 June 2012 ²
Ore tonnes mined	wmt (mill)	5.8	7.3
Ore tonnes sold	wmt (mill)	8.8	5.2
Average realised price, all products	\$/ wmt sold	97.2	124.4
Sales revenue	\$ mill	852.9	648.5
Interest income	\$ mill	11.9	20.4
Cost of goods sold	\$ mill	(698.3)	(413.5)
Gross profit	\$ mill	166.5	255.4
Admin and other expenses/income	\$ mill	(30.8) ³	(23.4)
Finance costs	\$ mill	(7.3)	(7.3)
Profit before tax	\$ mill	128.4	224.6
Tax (expense)/benefit	\$ mill	28.9	(62.6)
Net profit after tax	\$ mill	157.3	162.0

¹ The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is audited.

² Restated to reflect new accounting requirements for deferred waste stripping.

³ Includes centralised mine support services and one-off items related to dispute settlements.

Summary

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to announce a net profit after tax of \$157.3 million for the year ended 30 June 2013 on record full year sales revenue and volumes.

The reported net profit is after recognition of a non-cash tax credit totalling \$64.5 million related to technical accounting requirements for the Mineral Resources Rent Tax⁴. Excluding this tax credit, Mount Gibson achieved an underlying net profit after tax of \$92.9 million.

The strong operational and financial performance was achieved in an environment of lower average iron ore prices and increased price volatility.

Full year net operating cashflow more than trebled from the previous year to \$179.7 million. Cash and term deposits increased by \$83.3 million during the year to a total of \$376.0 million at 30 June, equivalent to \$0.34 per share. This final cash balance was after the distribution of \$40 million in cash dividends during the year.

The Company's performance was particularly strong in the June half, as operational improvements complemented the benefits of stronger iron ore prices and a weakening Australian dollar.

The annual result reflected a number of substantial operational achievements during the year. Ore sales were a record 8.8 million tonnes, including 8.1 million tonnes of direct shipping grade ore (DSO) lump and fines products, a 68% increase compared with the prior year. Sales revenue was also a record at \$852.9 million, an increase of 32% over the prior year.

Mount Gibson is targeting stronger sales of 9.0 to 9.5 million tonnes in the current 2013-14 financial year. This reflects the production ramp-up now underway at Koolan Island to reach 4 million tonnes per annum by the end of calendar 2014, and the extension of the Tallering Peak operation by another year to mid 2014.

Realised pricing

Mount Gibson achieved an average realised free on board (FOB) price of approximately \$97 per wet metric tonne (wmt) for all products sold, compared with approximately \$124/wmt in the preceding year. This reflected both lower benchmark prices during the year and Mount Gibson's expanded product mix, including the sale of 709,000 tonnes of Rizhao Special Product (RSP) and 230,000 tonnes of stockpiled lower grade ore from Tallering Peak. The FOB price does not include shipping costs, which are paid for by the customer.

Notably, both the RSP and lower grade ore sales generate substantial cash margins similar to standard DSO sales at current prices, due to the low cost of delivering the already-mined material to market.

Cost performance and savings

Total Cost of Goods Sold (COGS) averaged \$79.61/wmt FOB for the year, consistent with \$79.34/wmt in the previous year. COGS includes cash and non-cash costs, comprising mining, depreciation of plant and equipment, amortisation of deferred waste stripping and mine development balances, crushing, transport and state government royalties.

Expenditure reduction measures initiated in October 2012 reduced total cash expenditure by approximately \$140 million during the year compared with the Company's original 2013 budget and consistent with Mount Gibson's market guidance.

Importantly, these initiatives identified permanent ongoing savings of at least \$50 million per year. Mount Gibson is confident of delivering further permanent cost savings as the markets for key supplies weaken and internal productivity improvements are realised.

Notably, the production ramp-up at Koolan Island to 4 million tonnes per year by the end of calendar 2014 is delivering operational improvements at a faster rate than anticipated when the program was announced in March 2013.

Mount Gibson has achieved substantial labour productivity improvements since the ramp-up commenced. In the month of June, labour productivity was double that achieved in December 2012, when activity levels were at their lowest. Further improvement is expected as the mine moves to full production.

⁴ Refer to page 11 of the Directors' Report and Note 3 of the Annual Financial Statements for the year ended 30 June 2013.

Following the end of the year, unit cash mining costs at Koolan Island in the month of July were approximately \$8 per tonne of ore and waste moved, at the lower end of the \$8-10/t range expected as material movement rates peak. This is well below the average unit cash mining cost in FY2013. Mount Gibson is confident that unit cash mining costs at Koolan Island can be reduced further during upcoming periods of elevated waste movement and, in this regard, continues to optimise the Koolan mine schedule to accelerate waste mining during periods of higher prices thereby reducing stripping ratios in subsequent years.

Dividend

Mount Gibson has declared a final fully franked cash dividend of 2.0 cents per share, with a record date of 30 September and payable on 15 October 2013. The Company's Dividend Reinvestment Plan remains in suspension and will not apply to this dividend. The full year distribution of 4.0 cents per share is consistent with the 4.0 cents distributed for FY2012, bringing the total amount of dividends distributed since September 2011 to \$130.3 million.

As indicated in Mount Gibson's interim financial results released on 19 February 2013, following payment of this dividend, the Company will assess future dividend payments on an annual, rather than half-yearly, basis going forward. This will enable consideration of a single final dividend based on a full year's financial result.

Comment

Chief Executive Officer Jim Beyer said Mount Gibson's full year net profit after tax of \$157.3 million was a strong result in challenging conditions built on significant underlying business improvements.

"Our profit for the year tells only part of the story," he said. "In extremely volatile conditions, Mount Gibson not only delivered record sales volumes and revenue, but also trebled operating cashflow and increased total cash reserves to \$376 million.

"Furthermore, our diligent focus on getting the most out of our assets has enabled us to target even higher sales volumes this financial year. Also, we are confident of adding to the \$50 million in permanent ongoing savings already delivered.

"This ongoing commitment to continuous improvement positions us extremely well in the year ahead, and together with our healthy balance sheet, allows us to better capture the benefits of the current healthy iron ore price and lower Australian dollar.

"While iron ore prices can be expected to remain volatile, the general outlook for established Australian dollar denominated producers such as Mount Gibson is fundamentally positive."

Chairman Geoff Hill said: "The Company's demonstrated record of business enhancement provides us with an excellent platform to build long term value for all shareholders. It is appropriate also that shareholders should be rewarded for the strong results achieved in FY2013, so the Board is pleased to maintain a record of strong dividend payments with a fully franked final distribution of 2 cents per share.

The Appendix 4E and annual financial statements are attached.

Mount Gibson will host an analysts/institutions teleconference at **13:30pm AEST** on 23 August 2013. 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 **80916420#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

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APPENDIX 4E

MOUNT GIBSON IRON LIMITED 30 JUNE 2013 ANNUAL FINANCIAL STATEMENTS

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

22 August 2013

Current Reporting Period: 30 June 20130
Previous Corresponding Period: 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A\$ million
Revenue from ordinary activities	Up 29.3% to	\$864.8
Profit from continuing operations before tax	Down 42.8% to	\$128.4
Net profit after tax attributable to members of the Company	Down 2.9% to	\$157.3

DIVIDENDS

Mount Gibson Iron Limited has today declared a final dividend on ordinary shares in respect of the 2013 financial year of **\$0.02 per share fully franked**, taking the full year distribution to \$0.04 per share. The dividend will be paid in cash as the Company's Dividend Reinvestment Plan remains in suspension.

The final dividend is in addition to two dividends paid during the year ended 30 June 2013, the first being a final fully franked dividend of \$0.02 per share in respect of the 2011/12 financial year and the second being an interim fully franked dividend of \$0.02 per share in respect of the 2012/13 financial year. As notified to the market with the December 2012 half-year results, following payment of today's declared dividend, the Company will be considering dividends only on an annual rather than half-yearly basis going forward.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	2013	2012
Net tangible assets excluding Mine Properties	<i>A\$ mill</i>	\$520.8	\$398.3
Fully paid ordinary shares on issue at balance date	<i>#</i>	1,090,584,232	1,085,728,430
Net tangible asset backing per issued ordinary share as at balance date	<i>c/share</i>	47.8 cents	36.7 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 preliminary final report should be read in conjunction with the attached financial statements for the year ended 30 June 2013 together with any public announcements made by Mount Gibson Iron Limited during and after the year ended 30 June 2013 in accordance with the continuous disclosure obligations under the Corporations Act 2001.



**MOUNT GIBSON IRON LIMITED
AND CONTROLLED ENTITIES**

ABN 87 008 670 817

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2013

Financial Report

For the year ended 30 June 2013

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Directors' Report

Your Directors submit their report for the year ended 30 June 2013 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

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

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

Lee Seng Hui LLB (Hons)
Non-Executive Deputy Chairman

Mr Lee was appointed as a Non-Executive Director on 29 January 2010 and was appointed as Non-Executive Deputy Chairman on 14 December 2012. 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 which is 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 both Tanami Gold NL and APAC Resources Limited, the latter being one of Mount Gibson's substantial shareholders. Mr Lee was previously the Chairman and an Executive Director of Yu Ming Investments Limited (now known as SHK Hong Kong Industries Limited). During the past 3 years Mr Lee has not served as a director of any other listed companies.

Alan Jones CA
Independent Non-Executive Director

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

Chen Zhouping CPA
Non-Executive Director

Mr Chen was appointed as a Non-Executive Director on 19 January 2009. Mr Chen is a graduate from the School of Economics and Management, Beijing Tsinghua University, and is a member of the Chinese Institute of Certified Public Accountants. He has extensive experience in the steel industry, engineering design, human resources and management. Mr Chen was appointed as Deputy Managing Director of Shougang Concord International Enterprises Company Limited ("**Shougang International**") in November 2002. He is also the Deputy Managing Director of Shougang Holding (Hong Kong) Limited ("**Shougang Holding**") and the Vice Chairman and Managing Director of Shougang Fushan Resources Group Limited formerly known as Fushan International Energy Group Limited (a Hong Kong listed company), a substantial shareholder of Mount Gibson. He is a director of a number of other companies of which Shougang Holding or Shougang International is the holding company. During the past 3 years Mr Chen has not served as a director of any other listed companies.

Directors' Report (continued)

Li Shaofeng 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 the Managing Director of Shougang Concord International Enterprises Company Limited and the Chairman of each of Shougang Fushan Resources Group Limited, a substantial shareholder of Mount Gibson, Shougang Concord Century Holdings Limited, Shougang Concord Technology Holdings Limited, Shougang Concord Grand (Group) Limited and Global Digital Creations Holdings Limited, all of which are companies listed on the Hong Kong Stock Exchange. He is also a director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company.

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

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

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

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

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

Professor Douglas was appointed as an Independent Non-Executive Director on 16 November 2011. He has 40 years of design, process, project engineering, managerial, commercial and corporate experience having commenced his career in the Melbourne & Metropolitan Board of Works before joining engineering firm Sinclair Knight Merz ("**SKM**") in 1978. From initial technical roles, he soon assumed leadership roles in Sydney before returning to Melbourne as Associate Director and Victorian Branch Manager in 1985. In 1995 he was appointed Managing Director Elect and Director of Marketing before becoming Chief Executive Officer and Managing Director in 1996. For the next 15 years, he led a significant expansion of SKM locally and internationally involving more than 50 local and international acquisitions. He also oversaw SKM's expansion into South-East Asia with the opening of offices in 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 Douglas 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.

Peter Curry B.Comm, LLB, CA, FAICD
Alternate Director to Lee Seng Hui

Mr Curry was an Alternate Director until 25 September 2012. With over 35 years of business experience, he worked as Tax Partner in Peat Marwick Mitchell (now known as "KPMG") and thereafter in different listed and unlisted companies in Australia as executive director or managing director specialising in natural resources, corporate finance and mergers and acquisitions. He has extensive experience in public and private capital raisings, initial public offering related services and corporate and financial advisory services. Mr Curry is a director of APAC Resources Limited, Sun Hung Kai & Co Limited and Ormil Energy Limited. During the past 4 years Mr Curry has also served as a director of Forrest Enterprises Australia Limited.

Directors' Report (continued)

Andrew Ferguson

Alternate Director to Lee Seng Hui

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

COMPANY SECRETARY

David Stokes B.Bus, LLB, ACIS

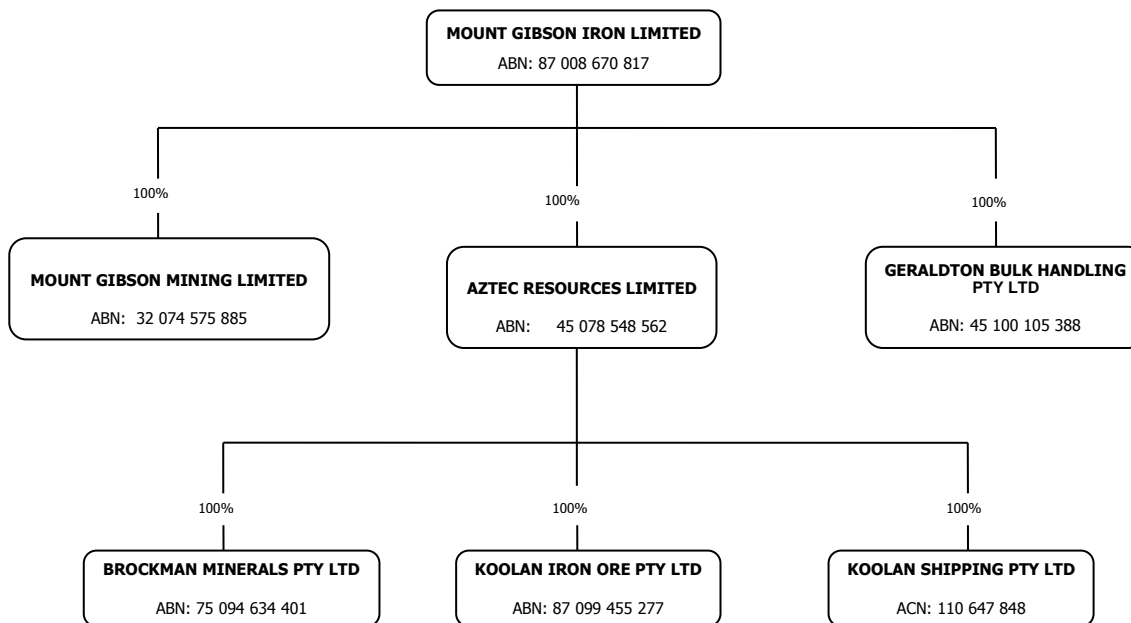
Company Secretary & General Counsel

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

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The structure of the Group as at 30 June 2013 was as follows:



Nature of Operations and Principal Activities

The principal activities of the entities within the Group are:

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

Directors' Report (continued)

Employees

The Group employed 599 employees (excluding contractors) as at 30 June 2013 (2012: 694 employees). The decrease in employees from the prior year resulted from the cost reduction initiatives announced in October 2012.

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2012/13 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 2012/13 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 2013 and has been prepared in accordance with the recently released guidance set out in Regulatory Guidance 247 published by the Australian Securities and Investments Commission ("**ASIC**").

Overview of the 2012/13 Financial Year

Several significant developments occurred during the 2012/13 financial year.

Group ore sales increased 68% to a record 8.8 million wet metric tonnes ("**wmt**") during the financial year. The increase reflected a number of factors, including the sale of 709,000 wmt of Rizhao Special Product ("**RSP**", previously referred to as mineralised waste) from Koolan Island under the offtake agreement entered into with Rizhao Steel in October 2011. The increase also reflected the commissioning of upgraded rail unloading and ore storage facilities at the Geraldton Port in mid-2012, and an upgrade of the regional Mid-West rail network which resulted in improved rail availability from late 2012.

The significant increase in sales volumes was offset by a decline in the average iron ore price over the year, and increased price volatility. In September 2012, the Platts CFR price for 62% Fe fines fell to a three year low of just under US\$89/dmt, before recovering to peak at US\$159/dmt in January 2013. Mount Gibson achieved an average realised fines price, excluding sales of RSP, of US\$108 per dry metric tonne ("**dmt**") Free On Board ("**FOB**") for the year, compared with an average of US\$124/dmt in 2011-12. This reflected a decline in the average Platts CFR price (where the supplier pays shipping freight costs) for 62% Fe fines delivered to China from US\$150/dmt in 2011-12 to US\$125/dmt in 2012-13.

In October 2012, following the rapid decline in iron ore prices described above and the anticipated ongoing price volatility, Mount Gibson announced a range of business optimisation measures to reduce expenditure and position the business to operate in more volatile market conditions. These initiatives were detailed in the Company's Half Year Financial Report for the six months ended 31 December 2012, and included a manpower reduction of approximately 270 positions, primarily at Koolan Island, and reduced mining activity to enable increased sales from ore stockpiles and provide time to complete the optimisation of the Koolan Island mine plan.

In March 2013, Mount Gibson announced the completion of the Koolan Island optimisation plan, which confirmed a staged ramp-up in production to 4 million tonnes per annum by the end of calendar 2014 as the most value accretive outcome for the Company. The plan included a smoothing of the anticipated waste stripping profile and the identification of measures to achieve a significant reduction in unit cash mining costs to between \$8 and \$10 per tonne of material moved as mining rates increased. The ramp-up, and staged recruitment of approximately 100 workers, commenced in April 2013.

The Company also made significant progress with respect to other business development initiatives.

The rebuilding of the Company's executive team was completed in September 2012 with the commencement of Mr Peter Kerr as the Company's Chief Financial Officer and Mr Andrew Thomson as Chief Operating Officer.

At 30 June 2013, the Company's cash and term deposits totalled \$376,018,000 compared with \$292,678,000 at the end of June 2012.

In March 2013, the Company announced a maiden mineral resource estimate for the T1 satellite deposit at Talling Peak, and commenced detailed mine planning. Subsequent to year-end in July 2013, Mount Gibson announced Probable Ore Reserves for T1 of 801,000 tonnes grading 61.0% Fe, with the first ore scheduled to be extracted in September 2013. Development of T1, and optimisation of the existing main T6 pit, is now expected to extend mining operations at Talling Peak by approximately one year to mid-2014. Talling Peak is now expected to achieve total ore sales of approximately 2.5 million wmt in 2013/14, including approximately 700,000 wmt of stockpiled lower grade ore.

Directors' Report (continued)

In April 2013, Mount Gibson also completed the acquisition of a substantial exploration landholding at Field's Find, approximately 60km north of Extension Hill, for an upfront payment of \$500,000. The landholding covers 250 square kilometres and is considered highly prospective for iron ore, gold and base metals. The package includes the Plateau iron prospect where drilling by the previous owner intersected shallow hematite/goethite iron mineralisation on a plateau covering an area of approximately 12 square kilometres.

In early 2013, Mount Gibson also completed a detailed review of previous exploration data from the Extension Hill South area, on granted mining leases immediately south of the Extension Hill mine. This review confirmed the area as having significant potential to host additional DSO iron resources. Applications to obtain exploration access were submitted in the June quarter of 2013, and Mount Gibson anticipates field work will commence in the September quarter of 2013.

In late June 2013, Mount Gibson also commenced an initial helicopter-supported reconnaissance program on the Koolan South tenement, located on the Kimberley mainland immediately south of Koolan Island. The tenement was granted in October 2012 and is considered prospective for iron ore and base metals. The initial reconnaissance program represented the first substantial exploration activity undertaken on the tenement in approximately 15 years.

Operating Results for the Financial Year

For the year ended 30 June 2013, Mount Gibson achieved a net profit before tax of \$128,440,000 and, after recording a normal tax expense of \$35,559,000 and a tax benefit of \$64,461,000 relating to recognition of the Company's starting base for the purposes of the Australian Minerals and Resource Rent Tax (MRRT), a net profit after tax of \$157,342,000. Excluding the tax benefit attributable to the MRRT, the net profit after tax for the period was \$92,881,000.

Year ended:	30 June 2013	Restated* 30 June 2012	30 June 2011	30 June 2010	30 June 2009
Net profit before tax	128,440	224,621	342,888	188,308	61,709
Taxation benefit/(expense)	28,902	(62,605)	(103,388)	(55,913)	(19,091)
Net profit after tax \$'000	157,342	162,016	239,500	132,395	42,618
Earnings per share \$/share	0.1445	0.1496	0.2214	0.1230	0.0456

* Restated to reflect adjustments made on the adoption of new accounting requirements, as detailed in Note 1(e) of the 2012/13 financial statements. Amounts in prior years are not restated.

Consolidated quarterly operating and sales statistics for the 2012/13 financial year are tabulated below:

		Sept Qtr 2012	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	2012/13	2011/12
Mining & Crushing							
Total waste mined	<i>kwmt</i>	9,376	4,650	2,721	5,574	22,321	<i>40,987</i>
Total ore mined	<i>kwmt</i>	1,643	1,923	1,294	948	5,808	<i>7,275</i>
Total ore crushed	<i>kwmt</i>	1,930	2,254	1,889	1,585	7,658	<i>6,943</i>
Shipping/Sales[^]							
Lump*	<i>kwmt</i>	895	1,317	750	1,230	4,193	<i>2,382</i>
Fines	<i>kwmt</i>	864	1,068	1,102	834	3,869	<i>2,830</i>
RSP	<i>kwmt</i>	-	283	148	279	709	<i>-</i>
Total	<i>kwmt</i>	1,759	2,668	2,000	2,343	8,771	<i>5,212</i>
Ave. Platts 62%Fe CFR price	<i>US\$/dmt</i>	113	122	148	126	127	<i>150</i>
MGX FOB Ave. realised fines price**	<i>US\$/dmt</i>	110	96	117	107	108	<i>124</i>

kwmt = thousand wet metric tonnes

[^] Includes mine gate sales totalling 42kwmt of DSO lump and 134kwmt of DSO fines in the June 2013 quarter.

* Includes the sale of 115kwmt of lower grade DSO lump in the September 2012 quarter and 115kwmt in the June 2013 quarter.

**Reflects the realised fines price for standard DSO fine ore only, after adjustments for shipping freight and grade. Contract pricing in the year was based on a mix of lagging-monthly and month-of-shipment averages.

Minor discrepancies may appear due to rounding.

Directors' Report (continued)

Koolan Island

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

The 2012/13 financial year was one of significant transition at Koolan Island. This reflected the major operational restructure and temporary mining slowdown announced in October 2012 in response to volatile market conditions, and the need to complete mine optimisation work which in April 2013 confirmed a staged ramp-up in production to 4 million tonnes per annum as the most value accretive outcome for the Group.

Waste movement and ore production were significantly lower in 2012/13, due to the planned mining slow-down and the adverse effects of unseasonal rain in the June 2013 quarter. Full year ore sales, however, were increased 22% to 3.5 million wmt, reflecting increased sales from ore stockpiles early in the financial year and the commencement of RSP shipments in October 2012. RSP sales totalled 709,000 wmt for the year.

The most significant development at Koolan Island was the commencement of the mining ramp-up in April 2013 in order to achieve annualised ore production of 4 million tonnes per annum by the end of calendar 2014. Consequently, waste mining increased significantly in the June 2013 quarter and unit cash mining costs began to decline, in line with the ramp-up plan. In the month of June, unit cash mining costs were approximately 11% lower than the average achieved in the December 2012 half year, reflecting increased productivity levels.

Concurrent with the mining ramp-up commencement, a major maintenance shutdown of the crushing circuit was undertaken and construction of a new maintenance workshop was further advanced.

In addition, further detailed geotechnical evaluation at the end of the financial year reduced expected ongoing sustaining capex for pit wall geotechnical support to less than \$10 million per annum, being 50% lower than initial estimates.

As at 30 June 2013, crushed DSO stockpiles at Koolan Island totalled approximately 67,000 wmt, and uncrushed DSO stockpiles totalled 134,000 wmt.

PRODUCTION SUMMARY	UNIT	SEPT QTR 2012 '000	DEC QTR 2012 '000	MAR QTR 2013 '000	JUN QTR 2013 '000	YEAR 2012/13 '000	YEAR 2011/12 '000	% INCR/ (DECR)
Mining								
- Waste mined	wmt	5,373	2,668	1,256	4,033	13,330	20,750	(36%)
- Ore mined	wmt	555	707	460	134	1,856	2,959	(37%)
Crushing								
- Lump	wmt	232	254	170	27	683	1,252	(45%)
- Fines	wmt	464	396	352	40	1,252	1,912	(35%)
- RSP*	wmt	97	263	224	267	851	-	-
		793	913	746	334	2,787	3,164	(12%)
Shipping								
- Lump	wmt	151	364	217	213	945	1,012	(7%)
- Fines	wmt	635	651	435	87	1,807	1,831	(1%)
- RSP*	wmt	-	283	148	279	709	-	-
		786	1,298	800	578	3,461	2,843	22%

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

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

		12 Months ended 30 June 2013	12 Months ended 30 June 2012
Waste mined	mill bcm	5.43	8.40
Waste mined	mill wmt	13.33	20.75
Ore mined	mill bcm	0.48	0.77
Ore mined	mill wmt	1.86	2.96
Deferred waste capitalised	\$ mill	97.10	147.07*
Amortisation of deferred waste	\$ mill	46.15	46.77*

* Restated to reflect adjustments made on the adoption of new accounting requirements, as detailed in Note 1(e) of the 2012/13 financial statements.

Directors' Report (continued)

Tallering Peak

The Tallering Peak mine is located approximately 130km north east of Geraldton in the Mid-West region of Western Australia. Ore is mined, crushed and screened on-site, transported by sealed road 65km to Mullewa, where it is loaded onto rail wagons and railed 107km to the Geraldton Port.

Tallering Peak performed well during 2012/13 in what was previously expected to be its final year of operation.

Total material movement declined substantially, reflecting the approaching completion of mining in the main T6 pit, while the operation also benefited from operating improvements implemented in October 2012 and the completion of regional rail upgrades in late 2012.

Ore production increased 10% to 2.1 million wmt, while ore sales increased 60% to 2.5 million wmt, including the sale of approximately 230,000 wmt of lower grade lump DSO from crushed ore stockpiles at the Mullewa rail siding.

Substantial additional value was also realised at Tallering Peak through the successful definition of the T1 Mineral Resource and Ore Reserve, located 1km east of the main T6 pit, and further optimisation of the T6 final pit design.

As a result, mining in the T6 pit is now expected to continue until January 2014, and first ore from the T1 deposit is scheduled for September 2013. These two initiatives will extend mining operations at Tallering Peak by approximately one year to mid-2014.

Tallering Peak is now forecast to achieve total ore sales of approximately 2.5 million wmt in 2013/14, including the sale of approximately 700,000 wmt of stockpiled lower grade ore. All ore sales from Tallering Peak are presently expected to be concluded in the September quarter of 2014.

As at 30 June 2013, approximately 218,000 wmt of crushed standard product were stockpiled at the mine, in addition to stockpiles of approximately 29,000 wmt of uncrushed standard product. Uncrushed stocks of lower grade ore at the mine totalled approximately 335,000 wmt. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 182,000 wmt, while stockpiles of crushed lower grade lump material totalled approximately 647,000 wmt.

PRODUCTION SUMMARY	UNIT	SEPT QTR 2012 '000	DEC QTR 2012 '000	MAR QTR 2013 '000	JUN QTR 2013 '000	YEAR 2012/13 '000	YEAR 2011/12 '000	% INCR/ (DECR)
Mining								
- Waste mined	wmt	3,076	1,387	820	832	6,115	16,888	(64%)
- Ore mined	wmt	558	627	517	445	2,146	1,949	10%
Crushing								
- Lump	wmt	320	428	396	365	1,509	1,166	29%
- Fines	wmt	184	247	246	218	895	967	(7%)
		504	675	642	583	2,404	2,133	13%
Transported to Mullewa Railhead								
- Lump	wmt	275	389	411	397	1,472	1,328	11%
- Fines	wmt	140	225	245	216	826	839	(2%)
		415	614	656	613	2,298	2,167	6%
Transported to Geraldton Port								
- Lump	wmt	260	449	385	537	1,631	880	85%
- Fines	wmt	154	150	302	276	882	737	20%
		414	599	687	813	2,513	1,617	55%
Shipping								
- Lump	wmt	275	592	353	487	1,707	831	105%
- Fines	wmt	113	178	241	310	842	763	10%
		388	771	594	797	2,550	1,594	60%

Minor discrepancies may appear due to rounding.

Directors' Report (continued)

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

		12 Months ended 30 June 2013	12 Months ended 30 June 2012
Waste mined	<i>mill bcm</i>	2.04	5.77
Waste mined	<i>mill wmt</i>	6.12	16.89
Ore mined	<i>mill bcm</i>	0.52	0.47
Ore mined	<i>mill wmt</i>	2.15	1.95
Deferred waste capitalised	<i>\$ mill</i>	3.81	62.50*
Amortisation of deferred waste	<i>\$ mill</i>	51.39	6.51*

* Restated to reflect adjustments made on the adoption of new accounting requirements, as detailed in Note 1(e) of the 2012/13 financial statements.

Extension Hill

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

The Extension Hill mine performed strongly in 2012/13, reflecting the commissioning of upgraded rail unloading and ore storage facilities at the Geraldton Port in mid-2012, and the completion of a regional rail network upgrade in late 2012.

PRODUCTION SUMMARY	UNIT	SEPT QTR 2012 '000	DEC QTR 2012 '000	MAR QTR 2013 '000	JUN QTR 2013 '000	YEAR 2012/13 '000	YEAR 2011/12 '000	% INCR/ (DECR)
Mining								
- Waste mined	<i>wmt</i>	927	595	645	709	2,876	3,349	(14%)
- Ore mined	<i>wmt</i>	530	589	317	370	1,805	2,368	(24%)
Crushing								
- Lump	<i>wmt</i>	387	371	281	381	1,420	1,033	37%
- Fines	<i>wmt</i>	246	295	220	286	1,047	613	71%
		633	666	501	667	2,467	1,646	50%
Transported to Perenjori Railhead								
- Lump	<i>wmt</i>	428	339	262	330	1,359	919	48%
- Fines	<i>wmt</i>	166	285	336	269	1,056	519	103%
		594	624	598	599	2,415	1,438	68%
Transported to Geraldton Port								
- Lump (Rail)	<i>wmt</i>	464	410	199	442	1,515	484	213%
- Lump (Road)	<i>wmt</i>	-	-	-	-	-	62	(100%)
- Fines (Rail)	<i>wmt</i>	61	320	426	249	1,056	298	254%
		525	730	625	691	2,571	844	205%
Shipping								
- Lump	<i>wmt</i>	469	361	180	488	1,498	539	178%
- Fines	<i>wmt</i>	116	239	426	304	1,085	236	360%
		585	600	606	792	2,583	775	233%
Mine Gate Sales								
- Lump	<i>wmt</i>	-	-	-	42	42	-	-
- Fines	<i>wmt</i>	-	-	-	134	134	-	-
		-	-	-	176	176	-	-

Minor discrepancies may appear due to rounding.

Directors' Report (continued)

Ore production of 1.8 million wmt was lower than in the previous year, reflecting the operational focus on reducing expenditure and maximising the drawdown of ore stockpiles built up due to infrastructure constraints during the previous financial year.

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

		12 Months ended 30 June 2013	12 Months ended 30 June 2012
Waste mined	<i>mill bcm</i>	1.15	1.36
Waste mined	<i>mill wmt</i>	2.88	3.35
Ore mined	<i>mill bcm</i>	0.62	0.80
Ore mined	<i>mill wmt</i>	1.81	2.37
Deferred waste capitalised	<i>\$ mill</i>	-	-*
Amortisation of deferred waste	<i>\$ mill</i>	-	-*

* Restated to reflect adjustments made on the adoption of new accounting requirements, as detailed in Note 1(e) of the 2012/13 financial statements.

Total sales in the mine's first full year of shipping consequently increased significantly to 2.8 million tonnes. The full year total included mine-gate sales to an unrelated party of 176,000 tonnes of DSO in the June 2013 quarter made possible under a short term opportunity to utilise available third party rail capacity in excess of the Company's allocated train paths from the Perenjori rail siding.

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

At 30 June 2013, stockpiles of crushed finished product at the Perenjori rail siding totalled approximately 295,000 wmt. At the mine site, stockpiles of uncrushed product ready for crushing totalled approximately 446,000 wmt, while stockpiles of crushed finished product totalled 169,000 wmt. Minesite stockpiles of uncrushed lower grade material totalled 1.8 million wmt.

Financial Position

During the course of the financial year, the Group's mining operations performed well in a volatile iron ore price environment. Cashflows from operating activities totalled \$179,652,000, a significant improvement on the prior financial year operating cashflows of \$56,169,000, driven by increased sales volumes.

At 30 June 2013, the Group's cash and term deposit balances totalled \$376,018,000, an increase of \$83,340,000 from the prior year's closing balance of \$292,678,000. This increase was achieved after the payment of \$40,004,000 in cash dividends, \$54,092,000 in income taxes and \$27,189,000 in the repayment of lease liabilities and other borrowings.

Accordingly, as at 30 June 2013, Mount Gibson had a robust working capital position with limited borrowings in the form of equipment lease and hire purchase liabilities totalling \$28,392,000.

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

Income Tax

Mount Gibson has in prior periods had the benefit of taxation arrangements for the treatment of provisional invoices for the sale of iron ore. These arrangements have now ended and, accordingly, revenue which was previously deferred for tax purposes from the prior financial year will be assessed in the 2013 financial year. The expected corporate taxation arising from cessation of the previous arrangements has been reflected in the results for the 2013 financial year.

Early adoption of new Deferred Waste Stripping requirements

Mount Gibson has elected to early adopt the new Australian and international accounting requirements for waste stripping activities in the operating phase of an open pit mine. The new accounting requirements result in the capitalisation of only a portion of waste stripping costs where the benefit of such stripping activity is the improved access to components of the orebody in future periods. Capitalised waste stripping costs are amortised over the remaining ore reserves of the relevant ore component being mined. In accordance with the transitional provisions of the new requirements, this new policy has been applied from the start of the prior comparative period, being 1 July 2011, resulting in the restatement of the prior period's results.

Directors' Report (continued)

Minerals Resource Rent Tax (MRRT)

Based on updated internal modelling, Mount Gibson does not currently expect to pay any MRRT over the life of its current operating mines. It is expected that Mount Gibson will utilise a portion of its MRRT starting base allowances to offset any MRRT which might otherwise arise and, accordingly, a deferred tax asset and a corresponding reduction in tax expense has been recognised in the year. Mount Gibson's accounting treatment relating to MRRT remains dependent on future iron ore prices, foreign exchange rates and operating costs.

Likely Developments and Expected Results

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

Mount Gibson's strategic priority is to operate its existing mines in a responsible manner in order to generate maximum cashflows from each operation. Accordingly, over the last 12 months, Mount Gibson Management has made a series of fundamental changes to the Group's operations in order to create a solid base from which its operations can continue to perform well in volatile commodity and foreign exchange markets. For the coming 2013/14 financial year, Mount Gibson expects to grow its annual sales to between 9.0 and 9.5 million wmt of iron ore.

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

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 22 August 2013, the Company declared a final dividend on ordinary shares in respect of the 2012/13 financial year of \$0.02 per share fully franked. The total amount of the dividend is \$21,812,000. The dividend has not been provided for in the 30 June 2013 financial statements.

Subsequent to the end of the period, the Board approved the award of certain amounts under the Company's Short Term and Long Term Incentive Plans to members of executive management team. These amounts have been included in the financial statements and Directors' Report for the year.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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.

Directors' Report (continued)

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

SHARE OPTIONS

Unissued shares

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

Shares issued as a result of the exercise of options

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

DIVIDENDS

During the financial year, dividends of \$43,526,253 (2012: \$64,957,156) were paid as follows:

- A final dividend of 2 cents per share fully franked in respect of the 2011/12 financial year was paid by way of \$18,192,154 in cash and 4,855,802 new shares issued under the Company's Dividend Reinvestment Plan; and
- An interim dividend of 2 cents per share fully franked in respect of the 2012/13 financial year was paid in cash totalling \$21,811,685.

A final dividend of 2.0 cents fully franked has been declared for the year ended 30 June 2013. Refer "Significant Events After Balance Date" above.

With the declaration of this final dividend for the 2012/13 financial year, Mount Gibson has now paid \$130,295,000 in dividends since its maiden dividend in September 2011.

DIRECTORS INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Ordinary Shares	Options over Shares	Performance Rights over Shares
G Hill	70,000	-	-
Lee SH	-	-	-
A Jones	100,000	-	-
Chen Z	-	-	-
Li S	-	-	-
R Barwick	-	-	-
S Bird	20,000	-	-
P Douglas	203,866	-	-
A Ferguson	-	-	-

Directors' Report (continued)

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director are 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	7	4	6	2	2
G Hill	7	4	6	-	-
Lee SH	7	-	-	-	-
A Jones	7	4	6	-	2
Chen Z	7	-	-	1	-
Li S	6	-	-	-	-
R Barwick	6	-	6	2	2
S Bird	7	4	-	-	2
P Douglas	6	-	-	2	2
P Curry ^[1]	-	-	-	-	-
A Ferguson ^[2]	-	-	-	-	-

[1] Mr Curry was an Alternate Director to Mr Lee until 25 September 2012.

[2] Mr Ferguson was appointed as an Alternate Director to Mr Lee from 24 September 2012.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

There have been no material breaches of the Group's licences. A formal letter of warning was received following a site inspection of Koolan Island conducted in September 2012 by the Western Australian Department of Environment Regulation ("DER"). The letter was given for alleged breaches of a number of licence conditions and, following work conducted by Mount Gibson to remediate the areas of concern, the DER acknowledged the actions undertaken.

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

Directors' Report (continued)

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING

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

CURRENCY

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

CORPORATE GOVERNANCE

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached Independence Declaration from the auditor of the Company on page 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 2013. 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:

	2013
	\$
Native title royalty audit	3,500
Agreed upon procedures engagement	4,635
Insurance review	5,150
	<u>13,285</u>

REMUNERATION REPORT (AUDITED)

This 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 three independent Non-Executive Directors, being Messrs Hill (Chairman), Jones and Barwick.

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.

Directors' Report (continued)

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

Remuneration Policy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

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.

Amount

With the price volatility experienced during the first half of the financial year, and as part of the Company's overall cost reduction program, the Board of Directors of the Company agreed to a 10% reduction in Directors' fees for the year.

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.

Directors' Report (continued)

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.

Use of Remuneration Consultants

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

During the year, the NRGC sought advice from Egan Associates regarding market data in relation to senior executives' remuneration packages and incentive structures. The recommendations were provided to the NRGC as an input to the decision-making process, and the NRGC considered these recommendations, along with other factors, in making its remuneration decisions and recommendations to the Board. The fees paid to Egan Associates during the year totalled \$22,680 and no other services were provided by Egan Associates. The NRGC and Board are satisfied the advice received was free from undue influence from the senior executives to whom the remuneration recommendations applied, and Egan Associates confirmed this in writing to the NRGC.

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 2012/13 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

Directors' Report (continued)

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 NRCG then determines the amount of STI to be allocated to each executive. Payments made are delivered as a cash bonus prior to or just after the reporting date.

For the 2013 financial year, a total STI cash bonus of \$877,537 was approved, of which \$110,000 was paid during the year and \$767,537 was paid after year end.

Long-term Incentive ("LTI") for 2013 financial year

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

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

As part of the overall cost reduction program commenced during the year, by mutual consent with the senior executives, the LTI award was reduced by an average of 55% in order to achieve the committed 10% reduction in total executive remuneration.

At year end, 633,590 performance rights were granted by the Company to senior executives in respect of the 2012/13 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 14 May 2012 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year. Mr Beyer waived this increase as part of the Company's cost reduction program;
- 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.

David Stokes

The key terms of his contract include:

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

Directors' Report (continued)

Peter Kerr

The key terms of his contract include:

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

Andrew Thomson

The key terms of his contract include:

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

Details of directors and key management personnel disclosed in this report

[i] Directors

G Hill	Non-Executive Director, Chairman
Lee SH	Non-Executive Deputy Chairman (from 14 December 2012) and Non-Executive Director (until 14 December 2012)
A Jones	Non-Executive Director
Chen Z	Non-Executive Director
Li S	Non-Executive Director
R Barwick	Non-Executive Director
S Bird	Non-Executive Director
P Douglas	Non-Executive Director
P Curry	Alternate Director to Mr Lee (until 25 September 2012)
A Ferguson	Alternate Director to Mr Lee (from 24 September 2012)

[ii] Key Management Personnel

J Beyer	Chief Executive Officer
P Kerr	Chief Financial Officer (from 19 September 2012)
K Bozanic	Acting Chief Financial Officer (from 1 July 2012 to 19 September 2012)
A Thomson	Chief Operating Officer (from 18 September 2012)
K Faulkner	Acting Chief Operating Officer (from 17 April 2012 to 18 September 2012)
D Stokes	Company Secretary and General Counsel

Directors' Report (continued)

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

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

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

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 2013 and there are no options outstanding at 30 June 2013.

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

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

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

Directors' Report (continued)

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

Accounting grant date	01-Jul-12	19-Sep-12
Share price	\$0.92	\$0.90
Risk free interest rate	2.35%pa	2.55%pa
Volatility factor	51%	51%

The vesting of these Performance Rights is subject to a relative TSR hurdle to be measured on 30 June 2015 and re-measured on 31 December 2015. As noted earlier, the Board is undertaking a review of the Performance Rights hurdles.

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

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

Performance Rights vested

The following performance rights vested to the following Directors and Executives:

	Year ended 30 June 2013	Year ended 30 June 2012
A Rule	-	211,778
D Berg	-	83,128
Total	-	294,906

There were no performance rights vested during the financial year.

Performance Rights benefits

For each grant of performance rights, the percentage of the available grant that was paid, or 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 three years, providing the vesting conditions are met (refer above).

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

Shares issued on exercise of options for the year ended 30 June 2013

There were no shares issued on exercise of options by the Directors and Executives during the year ended 30 June 2013 (2012: nil).

Directors' Report (continued)

Remuneration of Key Management Personnel for the year ended 30 June 2012

	Short Term			Post Employment		Long Term	Share Based Payment	Termination Payment	Total	% Performance Related
	Salary & Fees	Non Monetary	Cash Bonuses	Super-annuation	Retirement Benefits	Long Service Leave	Options and Performance Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Directors										
G Hill	177,275	-	-	15,955	-	-	-	-	193,230	0%
A Jones	104,129	-	-	9,372	-	-	-	-	113,501	0%
Chen Z	90,844	-	-	6,681	-	-	-	-	97,525	0%
Lee SH	87,156	-	-	7,844	-	-	-	-	95,000	0%
Li S	30,868	-	-	2,778	-	-	-	-	33,646	0%
R Barwick	62,572	-	-	5,632	-	-	-	-	68,204	0%
S Bird	33,467	-	-	3,012	-	-	-	-	36,479	0%
P Douglas	56,915	-	-	5,122	-	-	-	-	62,037	0%
C Readhead	65,512	-	-	-	-	-	-	-	65,512	0%
I Maccliver	39,857	-	-	3,587	-	-	-	-	43,444	0%
Cao Z	59,156	-	-	4,178	-	-	-	-	63,334	0%
L Tonkin	364,582	1,151	-	25,000	-	-	(305,237) ^[1]	745,370	830,866	(37%)
Sub-total	1,172,333	1,151	-	89,161	-	-	(305,237)	745,370	1,702,778	
Other KMP										
A Rule	580,482	2,303	292,340	25,000	-	-	137,641	-	1,037,766	41%
J Beyer	686,651	1,343	100,000	25,000	-	256	13,816	-	827,066	14%
D Berg	221,248	1,919	140,331	25,000	-	-	37,792	27,653	453,943	39%
D Stokes	73,347	576	-	6,192	-	-	-	-	80,115	0%
K Faulkner	140,400	480	-	-	-	-	-	-	140,880	0%
Sub-total	1,702,128	6,621	532,671	81,192	-	256	189,249	27,653	2,539,770	
Totals	2,874,461	7,772	532,671	170,353	-	256	(115,988)	773,023	4,242,548	

[1] Reversal of performance rights on termination

Accrued annual leave and long service leave benefits were paid on termination to Mr Tonkin of \$198,284, to Mr Rule of \$326,651, and to Mr Berg of \$37,016. These amounts are not included in the table above.

Options granted as part of remuneration for the year ended 30 June 2012

There were no options granted to Directors and Executives during the year ended 30 June 2012 and there are no options outstanding at 30 June 2012.

Performance Rights granted as part of remuneration for the year ended 30 June 2012

	Grant Date	Number Granted	Value of Performance Rights Granted During the Year \$	% of Remuneration
J Beyer	30-Jun-12	271,318	276,907	14

The estimated maximum and minimum possible total value of these performance rights is \$276,907 and \$nil respectively.

Directors' Report (continued)

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

Accounting grant date	30-Jun-12
Share price at accounting grant date	\$1.03
Risk free interest rate	2.67%pa
Volatility factor	51%

The vesting of these Performance Rights is subject to a relative TSR hurdle to be measured on 30 June 2014 and re-measured on 31 December 2014. As noted earlier, the Board is undertaking a review of the Performance Rights hurdles.

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

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

Company Performance

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

Year ended:		30 June 2013	Restated* 30 June 2012	30 June 2011	30 June 2010	30 June 2009
Net profit after tax	\$'000	157,342	162,016	239,500	132,395	42,618
Earnings per share	\$/share	0.1445	0.1496	0.2214	0.1230	0.0456
Closing share price	\$	0.47	0.86	1.84	1.55	0.90

* Restated to reflect adjustments made on the adoption of new accounting requirements, as detailed in Note 1(e) of the 2012/13 financial statements. Amounts in prior years are not restated.

Signed in accordance with a resolution of the Directors.



G HILL

Chairman

Perth, 22 August 2013



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Perth WA 6000 Australia

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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 2013, 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

P McIver
Partner
22 August 2013

Consolidated Income Statement

For the year ended 30 June 2013

	Notes	Restated ^[1]	
		2013 \$'000	2012 \$'000
CONTINUING OPERATIONS			
Sale of goods	2[a]	852,873	648,464
Other revenue	2[a]	11,951	20,425
TOTAL REVENUE		864,824	668,889
Cost of sales	2[d]	(698,291)	(413,526)
GROSS PROFIT		166,533	255,363
Other income	2[b]	162	163
Administration expenses	2[e]	(30,798)	(23,554)
Exploration expenses		(144)	(53)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		135,753	231,919
Finance costs	2[c]	(7,313)	(7,298)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		128,440	224,621
Tax benefit/(expense)	3	28,902	(62,605)
NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		157,342	162,016
Earnings per share (cents per share)			
• basic earnings per share	22	14.45	14.96
• diluted earnings per share	22	14.45	14.95

[1] Certain numbers shown here do not correspond to the 30 June 2012 financial statements and reflect adjustments made on the adoption of new accounting requirements, as detailed in note 1(e).

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013	Restated^[1]
	\$'000	2012
		\$'000
NET PROFIT FOR THE PERIOD AFTER TAX	157,342	162,016
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	(18,860)	(11,170)
Reclassification adjustments for losses on cash flow hedges included in the Income Statement	9,062	11,453
Deferred income tax on cash flow hedges	2,790	61
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(7,008)	344
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	150,334	162,360

[1] Certain numbers shown here do not correspond to the 30 June 2012 financial statements and reflect adjustments made on the adoption of new accounting requirements, as detailed in note 1(e).

Consolidated Balance Sheet

As at 30 June 2013

	Notes	2013 \$'000	Restated ^[1] 2012 \$'000	Restated ^[1] 1 July 2011 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	4	62,018	40,678	117,007
Term deposits	5	314,000	252,000	270,000
Trade and other receivables	6	47,301	23,792	22,249
Inventories	7	151,973	209,966	160,358
Prepayments		2,732	3,186	3,210
Derivative financial assets	8	-	5,584	386
Total Current Assets		578,024	535,206	573,210
Non-Current Assets				
Property, plant and equipment	10	247,924	283,381	246,695
Deferred acquisition, exploration and evaluation	11	861	344	309
Mine properties	12	661,213	673,059	457,409
Deferred tax assets	3	67,350	2,889	-
Total Non-Current Assets		977,348	959,673	704,413
TOTAL ASSETS		1,555,372	1,494,879	1,277,623
LIABILITIES				
Current Liabilities				
Trade and other payables	13	105,736	122,530	99,556
Interest-bearing loans and borrowings	14	19,188	21,702	28,607
Derivative financial liabilities	15	4,607	393	63
Income tax payable		26,010	9,440	22,793
Provisions	16	12,384	10,603	4,348
Total Current Liabilities		167,925	164,668	155,367
Non-Current Liabilities				
Provisions	16	78,637	78,098	24,228
Interest-bearing loans and borrowings	14	9,204	25,322	16,461
Deferred tax liabilities	3	117,557	155,453	110,641
Total Non-Current Liabilities		205,398	258,873	151,330
TOTAL LIABILITIES		373,323	423,541	306,697
NET ASSETS		1,182,049	1,071,338	970,926
EQUITY				
Issued capital	17[a]	568,328	564,710	561,585
Retained earnings	19	600,978	487,162	390,103
Reserves	18	12,743	19,466	19,238
TOTAL EQUITY		1,182,049	1,071,338	970,926

[1] Certain numbers shown here do not correspond to the 30 June 2012 financial statements and reflect adjustments made on the adoption of new accounting requirements, as detailed in note 1(e).

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		830,510	639,176
Payments to suppliers and employees		(593,288)	(548,883)
Interest paid		(3,478)	(53)
Income tax paid		(54,092)	(34,071)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	4[b]	179,652	56,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		13,028	19,765
Proceeds from sale of property, plant and equipment		15	1,273
Purchase of property, plant and equipment		(42,421)	(86,191)
Payment (for)/from term deposits		(62,000)	18,000
Payment for deferred exploration and evaluation expenditure		(216)	(35)
Payment for mine properties		(2,511)	(6,359)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(94,105)	(53,547)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(21,275)	(18,290)
Proceeds from borrowings		5,527	7,005
Repayment of borrowings		(5,914)	(5,497)
Payment of borrowing costs		(1,806)	(1,075)
Dividends paid		(40,004)	(61,935)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(63,472)	(79,792)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22,075	(77,170)
Net foreign exchange difference		(735)	841
Cash and cash equivalents at beginning of year		40,678	117,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	4[a]	62,018	40,678

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	<i>Attributable to Equity Holders of the Parent</i>					<i>Total Equity</i>
	Issued Capital	(Accumulated Losses) / Retained Earnings	Share Based Payments Reserve	Net Unrealised Gains / (Losses) Reserve	Other Reserves	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2011 – as previously reported	561,585	585,718	18,991	3,439	(3,192)	1,166,541
Change in accounting policy (note 1(e))	-	(195,615)	-	-	-	(195,615)
At 1 July 2011 Restated^[1]	561,585	390,103	18,991	3,439	(3,192)	970,926
Profit for the period	-	162,016	-	-	-	162,016
Other comprehensive income	-	-	-	344	-	344
Total comprehensive income for the year	-	162,016	-	344	-	162,360
Transactions with owners in their capacity as owners						
- Deferred income tax on capital raising cost	(94)	-	-	-	-	(94)
- Shares issued	3,219	-	-	-	-	3,219
- Dividends paid	-	(64,957)	-	-	-	(64,957)
- Share-based payment	-	-	(116)	-	-	(116)
At 30 June 2012 Restated^[1]	564,710	487,162	18,875	3,783	(3,192)	1,071,338
At 1 July 2012 Restated	564,710	487,162	18,875	3,783	(3,192)	1,071,338
Profit for the period	-	157,342	-	-	-	157,342
Other comprehensive income	-	-	-	(7,008)	-	(7,008)
Total comprehensive income for the year	-	157,342	-	(7,008)	-	150,334
Transactions with owners in their capacity as owners						
- Deferred income tax on capital raising cost	95	-	-	-	-	95
- Shares issued	3,523	-	-	-	-	3,523
- Dividends paid	-	(43,526)	-	-	-	(43,526)
- Share-based payment	-	-	285	-	-	285
At 30 June 2013	568,328	600,978	19,160	(3,225)	(3,192)	1,182,049

[1] Certain numbers shown here do not correspond to the 30 June 2012 financial statements and reflect adjustments made on the adoption of new accounting requirements, as detailed in note 1(e).

Notes to the Consolidated Financial Report

For the year ended 30 June 2013

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 2013, was authorised for issue in accordance with a resolution of the Directors on 22 August 2013.

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 Talling Peak, Koolan Island and Extension Hill and exploration and development of hematite deposits in the Mid-West region of Western Australia.

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

(b) Basis of preparation

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

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

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

(c) Basis of consolidation

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

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

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

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

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

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

(d) Compliance with IFRS

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

(e) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the change arising due to the early adoption of AASB Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine" ("Interpretation 20").

Interpretation 20 clarifies when an entity should recognise production phase waste removal (stripping) costs (production stripping costs) incurred in relation to a surface mining operation as an asset. Such an asset will be referred to as a stripping activity asset. The interpretation has been adopted for the annual reporting period beginning on 1 July 2011 and has impacted the way in which the Group accounts for production stripping costs.

Prior to the issuance of Interpretation 20, the Group deferred all costs attributable to waste stripping and concurrently recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. The amortisation rate was calculated based on the historical and estimated future waste mining costs.

The accounting treatment in accordance with Interpretation 20 differs from the Group's previous policy in that not all waste development costs are initially capitalised, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances an entity may have recognised under its previous accounting policy.

In order to reflect the new requirements of Interpretation 20, the Group has adopted the following accounting policy:

Notes to the Consolidated Financial Report (continued)

Deferred Stripping (Waste Removal) Costs

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

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

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below.

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to initial development phase stripping. The costs of such stripping are accounted for in the same way as development stripping, as outlined above.

Waste development costs incurred in the production phase create 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 non-current asset, referred to as a stripping activity asset if the following criteria are met:

- a) Future economic benefits (being improved access to the ore body) are probable;
- b) The component of the orebody for which access will be improved can be accurately identified; and
- c) The costs associated with the improved access can be reliably measured.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

In identifying components of the orebody, the Group works closely with its mining operations personnel to analyse its various mine plans. Mines may be divided into more than one ore component with deposits potentially comprising geographically separated components or major pushbacks forming part of a larger investment decision.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

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 average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

The stripping activity asset is accounted for as an addition to "Mine Properties" in the statement of financial position. This forms part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable. The stripping activity asset is carried at cost less amortisation and any impairment losses.

The stripping activity asset is subsequently amortised using the units of production method over the life of the identified component of the orebody that became more accessible as a result of the stripping activity.

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

Transition

Interpretation 20 is to be applied prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which for the Group is 1 July 2011. Any previously recognised asset balance(s) that resulted from stripping activity undertaken during the production phase "**predecessor stripping asset**" is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates.

If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented, being 1 July 2011.

Notes to the Consolidated Financial Report (continued)

Impact as at transition date and on the comparative financial information

In accordance with the transitional provisions of Interpretation 20, this new policy has been applied prospectively from the start of the comparative period, being 1 July 2011. As a result of the adoption of Interpretation 20, the adjustments outlined below were made to the financial statements.

The Group has three mining operations, Talling Peak, Koolan Island and Extension Hill, all of which are in the production phase. The Group had previously accounted for production stripping costs using a life-of-mine approach as explained above. As at 1 July 2011, the Group's total deferred stripping balance was \$427,650,000, of which \$116,499,000 related to Talling Peak, \$300,270,000 related to Koolan Island and \$10,881,000 related to Extension Hill.

In applying the requirements of Interpretation 20, the Group has determined that, at the date of transition (i.e. 1 July 2011), Talling Peak had three ore components, Koolan Island had five ore components and Extension Hill had one ore component.

Given the nature of the Group's mining operations and the way the Group plans to mine the remaining components of the orebodies, it has been determined that \$279,451,000 of the predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted.

Accordingly, an amount of \$279,451,000 (\$195,616,000 net of tax) has been derecognised via opening retained earnings at the date of transition, 1 July 2011 (see adjustments below). Based on reasonable assumptions and guidance from technical personnel, the balance of the predecessor stripping asset amounting to \$148,199,000 has been allocated to identified components and will be amortised over the remaining useful lives of these components using a units of production method.

The Group has determined that it is not practicable to quantify the impact for the 2013 financial year under the pre-Interpretation 20 approach.

The adoption of Interpretation 20 had the following impact at the transition date of 1 July 2011 and for the year ended 30 June 2012:

Description	Previously Reported	Transition Adjustments	Adjustment due to Adoption of Interp. 20	Adjusted Balance
	\$'000	\$'000	\$'000	\$'000
Retained Earnings				
1 July 2011– opening balance	585,718	-	-	585,718
Derecognise opening deferred stripping balance	-	(279,450)	-	(279,450)
Tax effect at 30%	-	83,835	-	83,835
1 July 2011 – adjusted opening retained earnings	585,718	(195,615)	-	390,103
Mine Properties				
Stripping Activity Asset (included as part of Mine Properties)				
1 July 2011– opening balance	427,650	-	-	427,650
Derecognise opening deferred stripping balance	-	(279,450)	-	(279,450)
Sub total	427,650	(279,450)	-	148,200
Additions under previous approach	384,326	-	(384,326)	-
Deferred stripping recognised in profit or loss	(230,772)	-	230,772	-
Production stripping costs capitalised under Interpretation 20	-	-	209,578	209,578
Stripping activity asset depreciated during the period	-	-	(53,268)	(53,268)
30 June 2012 – closing balance	581,204	(279,450)	2,756	304,510

Notes to the Consolidated Financial Report (continued)

Description	Previously Reported	Transition Adjustments	Adjustment due to Adoption of Interp. 20	Adjusted Balance
	\$'000	\$'000	\$'000	\$'000
Other (included as part of Mine Properties)				
1 July 2011– opening balance	309,209	-	-	309,209
Net movement	59,340	-	-	59,340
30 June 2012	368,549	-	-	368,549
30 June 2012 – closing balance	949,753	(279,450)	2,756	673,059
Inventory				
30 June 2012– closing balance	227,694	-	-	227,694
Net adjustment to stripping costs allocated directly to inventory	-	-	(17,728)	(17,728)
30 June 2012 – closing balance	227,694	-	(17,728)	209,966
Profit or Loss				
Profit after tax for the year ended 30 June 2012	172,496	-	-	172,496
Decrease in profit due to adjustment to stripping costs allocated directly to inventory	-	-	(17,728)	(17,728)
Increase in profit due to adjustments to production stripping costs capitalised and stripping activity asset depreciated during the period	-	-	2,756	2,756
Sub total	172,496	-	(14,972)	157,524
Tax effect of adjustments at 30%	-	-	4,492	4,492
Profit after tax for the year ended 30 June 2012	172,496	-	(10,480)	162,016

Impact on earnings per share

The effect on basic earnings per share related to the 30 June 2012 restatement was a decrease of 0.97 cents per share.

Notes to the Consolidated Financial Report (continued)

From 1 July 2012 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on or after 1 July 2012 including:

Reference	Title	Application date of standard	Application date for Group
AASB 2010-8	Amendments to Australian Accounting Standards Deferred Tax: <i>Recovery of Underlying Assets</i> [AASB 112] These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 <i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 January 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

The adoptions of the above Accounting Standards and Interpretations did not have an impact on the financial position or performance of the Group.

Other Australian Accounting Standards and Interpretations 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 2013 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i> . The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	1 July 2013

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principal of control in AASB 10 to define joint control and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.</p>	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	1 July 2013
AASB 119	Employee Benefits	<p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	1 July 2013

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards – <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when offsetting criteria of AASB 132 are not all met.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: <ul style="list-style-type: none"> ▪ Repeat application of AASB 1 is permitted (AASB 1) ▪ Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>). 	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> 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

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1053	Application of Tiers Australian Accounting Standards	<p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this standard)</p> <p>(b) The Australian Government and State, Territory and local governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.</p>	1 July 2013	1 July 2013
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on</p> <ol style="list-style-type: none"> (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading on 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.</p>		

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9 (continued)	Financial Instruments (continued)	<p>(c) Financial assets that are debt instruments will be classified based on</p> <p>(3) the objective of the entity's business model for managing the financial assets;</p> <p>(4) the characteristics of the contractual cash flows.</p> <p>(d) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading on 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.</p> <p>(e) 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 recognizing the gains and losses on them, on different bases.</p> <p>(f) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015	1 July 2015

AASB 10 *Consolidated Financial Statements* – based on investments held by the Group at 30 June 2013, this Standard is not expected to have a significant impact on the entities that are currently consolidated in the year of initial application.

AASB 11 *Joint Arrangements* - the Group does not have any joint arrangements therefore this Standard is not expected to have any impact on the Group's financial results in the initial year of application.

AASB 12 *Disclosure of Interests in Other Entities* – based on investments held by the Group at 30 June 2013, this Standard will have no impact on the Group's financial results and balance sheet in the initial year of application.

AASB 13 *Fair Value Measurement* – this Standard establishes a single source of guidance for determining the fair value of assets and liabilities. Based on the fair value measurements of the Groups assets and liabilities at 30 June 2013, this Standard is not expected to have a significant impact on the Group's financial results in the initial year of application.

Except as disclosed above, the Group has yet to fully assess the impact of the other Accounting Standards and Amendments to Account Standards will have on the financial statements, when applied in future financial periods.

Notes to the Consolidated Financial Report (continued)

(f) Foreign currency translation

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.

(g) Cash and cash equivalents

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

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

(h) Trade and other receivables

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

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

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

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

(i) Inventories

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

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

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

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

(j) Property, plant and equipment

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

Depreciation

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

- Buildings 5 - 20 years
- Motor vehicles 4 - 5 years
- Office equipment 3 - 5 years
- Leasehold improvements Shorter of lease term or useful life of 5 – 10 years
- Koolan Island mining fleet on hire purchase 5 years

Impairment

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

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

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

Derecognition

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

Notes to the Consolidated Financial Report (continued)

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.

(k) Mine properties

Deferred stripping

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

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

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

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

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

Other mine properties

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

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

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

(l) Acquisition, exploration and evaluation costs

Acquisition costs

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

Exploration and evaluation costs

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

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

Notes to the Consolidated Financial Report (continued)

(m) 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.

(n) Recoverable amount of assets

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

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

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

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

(o) Financial assets

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

[i] Held-to-maturity investments

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

[ii] Loans and receivables

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

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

(p) Trade and other payables

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

Notes to the Consolidated Financial Report (continued)

(q) 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.

(r) 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.

(s) 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 a Black-Scholes 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 is reflected as additional share dilution in the computation of earnings per share.

Notes to the Consolidated Financial Report (continued)

(t) Employee benefits

Wages, salaries, annual leave and sick leave

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

Long service leave

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

Superannuation

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

(u) 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.

(v) Leases

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

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

Operating Leases

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

Finance Leases

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

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

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

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

(w) Revenue

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

Sale of goods

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

Interest

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

Dividends

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

Notes to the Consolidated Financial Report (continued)

(x) Taxation

Income Tax

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

Deferred income tax liabilities are recognised for all taxable differences:

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

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

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

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

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

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

Mineral Resource Rent Tax (MRRT)

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

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

(y) 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.

(z) 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

Notes to the Consolidated Financial Report (continued)

variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Cash flow hedges – forward foreign currency contracts

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

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

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

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

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

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

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

(aa) Financial instruments issued by the Group

[i] Debt and equity instruments

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

[ii] Transaction costs on the issue of equity instruments

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

(bb) Earnings per share

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

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

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

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

(cc) Significant accounting judgements, estimates and assumptions

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

(i) Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy stated in Note 1(m). 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 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.

(ii) Units of production method of depreciation

The Group applies the units of production method of depreciation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the

Notes to the Consolidated Financial Report (continued)

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 and mineral resources and production capacity are the Group's history of converting mineral resources to ore reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. The Group uses economically recoverable mineral resources (comprising proven and probable ore reserves) to depreciate assets on a unit of production basis. However, where a mineral property has been acquired and an amount has been attributed to the fair value of mineral resources not yet designated as ore reserves, the additional mineral resources have been taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

(iii) Determination of mineral resources and ore reserves

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

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

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

(iv) Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

(v) Impairment of capitalised mine development expenditure

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

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

(vi) Impairment of property, plant and equipment

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

In determining value in use, future cash flow forecasts for each cash generating unit (i.e. each mine) are prepared utilising management's latest estimates of mine life, mineral resource and ore reserve recovery, operating and capital 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 estimates of the Company's weighted average cost of capital.

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

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

Notes to the Consolidated Financial Report (continued)

(vii) Deferred Waste

The Group has adopted a policy of deferring waste development costs and amortising them in accordance with the accounting policies set out in Notes 1(e) and 1(k). Significant judgement is required in determining the capitalisation ratio for each mine. Factors that are considered include:

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

(viii) Recoverability of potential deferred tax assets

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

(ix) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and applying an estimated probability that they will vest. The accounting estimates and assumptions relating to share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Notes to the Consolidated Financial Report (continued)

	Notes	2013 \$'000	Restated 2012 \$'000
2. REVENUE AND EXPENSES			
[a] Revenue			
Sale of ore		843,811	637,011
Realised gain on foreign exchange hedges		9,062	11,453
		<u>852,873</u>	<u>648,464</u>
Other revenue			
Interest income		11,951	20,425
		<u>11,951</u>	<u>20,425</u>
[b] Other income			
Realised gain on foreign exchange		1	-
Other income		161	163
		<u>162</u>	<u>163</u>
[c] Finance costs			
Finance charges on banking facilities		2,406	2,301
Finance charges payable under finance leases		2,869	4,010
		<u>5,275</u>	<u>6,311</u>
Interest accretion on rehabilitation provision		2,038	987
		<u>7,313</u>	<u>7,298</u>
[d] Cost of Sales			
Mining costs		319,823	397,594
Mining depreciation costs		28,935	28,622
Mining waste costs deferred	12	(100,904)	(209,578)
Amortisation of mining waste costs deferred	12	97,544	53,268
Amortisation of mine properties	12	26,806	22,995
Preproduction expenditure		-	(1,208)
Crushing costs		34,230	28,091
Depreciation – crushing		7,112	6,063
Transport costs		104,810	57,071
Depreciation – transport		7,622	4,318
Port costs		27,680	16,027
Depreciation – port		26,390	4,456
Royalties		64,832	46,959
Net ore inventory movement		53,411	(41,152)
		<u>698,291</u>	<u>413,526</u>
[e] Administration Expenses include:			
Depreciation		514	370
Share-based payments expense	21[a]	285	(116)
Net loss on disposal of plant and equipment		38	494
Net unrealised foreign exchange loss		735	129
[f] Cost of Sales and Administration expenses above include:			
Salaries, wages expense and other employee benefits		104,535	88,859
Operating lease rental – minimum lease payments		41,053	36,430

Notes to the Consolidated Financial Report (continued)

	Restated
2013	2012
\$'000	\$'000

3. TAXATION

Major components of tax (benefit)/expense for the years ended 30 June 2013 and 2012 are:

Income Statement

Current tax

Current income tax charge	72,073	20,718
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Deferred tax

Relating to origination and reversal of temporary differences:

Income tax	(36,514)	44,776
Minerals resource rent tax	(64,461)	(2,889)

Tax (benefit)/expense reported in Income Statement	(28,902)	62,605
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Statement of Changes in Equity

Current income tax

Current income tax charge	-	-
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Deferred income tax

Capital raising costs	-	94
Remeasurement of foreign exchange contracts	(1,382)	(61)

Deferred income tax (benefit)/liability reported in equity	(1,382)	33
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Reconciliation of tax expense

A reconciliation of tax expense applicable to accounting profit before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2013 and 2012 is as follows:

Accounting profit before tax	128,440	224,621
• At the statutory income tax rate of 30% (2012: 30%)	38,532	67,386
• Expenditure not allowed for income tax purposes	101	(123)
• Other	(3,074)	(1,769)
Minerals resource rent tax benefit	(64,461)	(2,889)
Tax (benefit)/expense	(28,902)	62,605
Effective tax rate	(23.0)%	28.0%
Tax (benefit)/expense reported in Income Statement	(28,902)	62,605

Notes to the Consolidated Financial Report (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Restated		Restated		Restated	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED						
Accrued liabilities	(2,201)	(1,145)	-	-	(2,201)	(1,145)
Capital raising costs	342	(412)	-	-	342	(412)
Deferred income	-	-	-	43,877	-	43,877
Foreign exchange contracts	(1,602)	(15)	-	-	(1,602)	(15)
Interest receivable	-	-	740	699	740	699
Inventory	-	(974)	3,898	-	3,898	(974)
Lease liability	(885)	(890)	-	-	(885)	(890)
Minerals resource rent tax	(67,350)	(2,889)	-	-	(67,350)	(2,889)
Prepaid expenditure	-	-	48	101	48	101
Fixed assets, mine properties and exploration expenditure	-	-	145,386	144,219	145,386	144,219
Provisions	(27,437)	(26,610)	-	-	(27,437)	(26,610)
Borrowing cost	(732)	-	-	-	(732)	-
Share based payment	-	-	-	4	-	4
Tax losses	-	(3,401)	-	-	-	(3,401)
Tax (assets) liabilities	(99,865)	(36,336)	150,072	188,900	50,207	152,564
Set off of tax	32,515	33,447	(32,515)	(33,447)	-	-
Net tax (assets)/liabilities	(67,350)	(2,889)	117,557	155,453	50,207	152,564

Restated Balance 1 July 2012	Recognised in Income	Recognised in Equity	Balance 30 June 2013
\$'000	\$'000	\$'000	\$'000

Movement in temporary differences during the financial year ended 30 June 2013

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

Notes to the Consolidated Financial Report (continued)

	Restated Balance 1 July 2011 \$'000	Restated Recognised in Income \$'000	Recognised in Equity \$'000	Restated Balance 30 June 2012 \$'000
Movement in temporary differences during the financial year ended 30 June 2012				
Accrued liabilities	(1,255)	110	-	(1,145)
Capital raising costs	(912)	406	94	(412)
Deferred income	44,246	(369)	-	43,877
Foreign exchange contracts	2,518	(2,472)	(61)	(15)
Interest receivable	1,278	(579)	-	699
Inventory	3,482	(4,456)	-	(974)
Lease liability	(1,559)	669	-	(890)
Minerals resource rent tax	-	(2,889)	-	(2,889)
Prepaid expenditure	27	74	-	101
Fixed assets, mine properties and exploration expenditure	73,590	70,629	-	144,219
Provisions	(7,373)	(19,237)	-	(26,610)
Share based payment	-	4	-	4
Tax losses	(3,401)	-	-	(3,401)
	110,641	41,890	33	152,564

2013 \$'000	2012 \$'000
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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]	217,784	292,659
Provision for write down of investments		-	965
Tax losses		558	44
		<u>218,342</u>	<u>293,668</u>

[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)

	Restated
2013	2012
\$'000	\$'000

4. CASH AND CASH EQUIVALENTS

[a] Reconciliation of cash

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

Cash at bank and in hand	47,018	40,678
Short-term deposits	15,000	-
	62,018	40,678

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

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

Net profit after tax	157,342	162,016
<i>Adjustments for:</i>		
Depreciation of non-current assets	70,573	43,829
Amortisation of deferred waste	97,544	53,268
Amortisation of other mine properties	26,806	22,995
Net loss on disposal of property, plant and equipment	38	494
Net mark-to-market differences on derivatives	-	(4,747)
Interest received	(11,951)	(20,425)
Exploration expenses written off	144	47
Share based payments	285	(116)
Interest accretion on rehabilitation provision	2,038	987
Stock obsolescence	1,699	-
Borrowing costs	1,797	1,738
Unrealised loss on foreign exchange	735	-
Capitalised expenses	(2,116)	-
<i>Changes in assets and liabilities</i>		
(Increase) in trade and other receivables	(23,509)	(1,589)
(Increase)/decrease in inventory	56,294	(49,608)
(Increase)/decrease in prepayments and deposits	452	(24)
(Increase) in deferred tax assets	(64,461)	(2,889)
(Increase) in capitalised deferred waste	(100,904)	(209,578)
Increase/(decrease) in trade and other payables	(16,794)	24,873
Increase/(decrease) in current income tax liabilities	16,570	(13,353)
Increase in deferred tax liabilities	(35,102)	41,892
Increase in restructure provision	1,279	4,158
Increase in road sealing provision	200	333
Increase in employee benefits	693	1,868
Net Cash Flow from Operating Activities	179,652	56,169

[c] Non-cash financing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate fair value of \$2,531,193 (2012: \$27,714,098) by means of finance leases and hire purchase agreements. During the financial year, the Group disposed of items of property, plant and equipment with an aggregate fair value of \$nil (2012: \$345,350) which were financed by means of finance leases.

Notes to the Consolidated Financial Report (continued)

Notes	2013 \$'000	2012 \$'000
5. TERM DEPOSITS		
Current		
Receivables - term deposits	314,000	252,000
	314,000	252,000

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

6. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	[a][i] 37,705	13,432
Sundry debtors	[a][ii] 6,490	5,384
Other receivables	3,106	4,976
	47,301	23,792

[a] Terms and conditions

Terms and conditions relating to the above financial instruments:

- [i] Details of terms and conditions of trade debtors and credit sales are set out in note 1(h).
- [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 2013, trade debtors of nil (2012: \$ nil) in the Group were impaired.

At 30 June 2013, trade debtors of \$5,166,585 (2012: \$4,585,321) 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 13 August 2013 \$4,170,000 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	2013 \$'000	2012 \$'000
Movements in the allowance for impairment of trade debtors were as follows:		
Balance at the beginning of the year	-	-
Charge for the year	-	-
Amounts written off	-	-
Balance at the end of the year	-	-
The ageing of trade debtors past due but not impaired is as follows:		
Less than 30 days overdue	109	-
Between 30 and 60 days overdue	-	509
Between 60 and 90 days overdue	999	1,819
Greater than 90 days overdue	4,058	2,257
	5,166	4,585
Trade debtors not impaired and not past due	32,539	8,847
	37,705	13,432

Notes to the Consolidated Financial Report (continued)

Notes	Restated	
	2013	2012
	\$'000	\$'000

7. INVENTORIES

Consumables – at cost	28,736	31,620
Provision for stock obsolescence	(1,893)	(194)
Ore – at cost	147,443	203,657
Provision for low grade ore	(22,313)	(25,117)
	151,973	209,966

2013	2012
\$'000	\$'000

8. DERIVATIVE FINANCIAL ASSETS

Current

Foreign currency forward contracts and options	30[b][i]	-	5,584
		-	5,584

9. INTEREST IN SUBSIDIARIES

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group	
		2013	2012
		%	%
Mount Gibson Mining Limited	Australia	100	100
Geraldton Bulk Handling Pty Ltd	Australia	100	100
Aztec Resources Limited	Australia	100	100
• Koolan Iron Ore Pty Ltd	Australia	100	100
• Koolan Shipping Pty Ltd	Australia	100	100
• Brockman Minerals Pty Ltd	Australia	100	100

Entities subject to Class Order relief

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

Notes to the Consolidated Financial Report (continued)

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

Consolidated Income Statement of the Closed Group

	2013	Restated
	\$'000	2012
		\$'000
CONTINUING OPERATIONS		
Sale of goods	852,873	648,464
Other revenue	11,945	20,412
TOTAL REVENUE	864,818	668,876
Cost of sales	(653,668)	(400,817)
GROSS PROFIT	211,150	268,059
Other income	160	163
Administration expenses	(30,795)	(23,550)
Exploration expenses	(144)	(53)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	180,371	244,619
Finance costs	(7,366)	(7,298)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	173,005	237,321
Tax benefit/(expense)	10,625	(63,282)
NET PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE CLOSED GROUP	183,630	174,039

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	2013	Restated	Restated
	2013	2012	1 July 2011
	\$'000	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	59,004	40,028	116,082
Term deposits	314,000	252,000	270,000
Trade and other receivables	43,081	22,869	21,365
Inventories	151,973	209,962	160,358
Prepayments	2,706	3,155	3,183
Derivative financial assets	-	5,584	386
TOTAL CURRENT ASSETS	570,764	533,598	571,374
NON-CURRENT ASSETS			
Other receivables	121,275	100,732	32,561
Property, plant and equipment	195,066	216,640	244,280
Deferred acquisition, exploration and evaluation costs	861	344	309
Mine properties	661,213	673,059	457,318
Deferred tax assets	61,201	2,889	-
TOTAL NON-CURRENT ASSETS	1,039,616	993,664	734,468
TOTAL ASSETS	1,610,380	1,527,262	1,305,842
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	99,990	117,468	96,492
Interest-bearing loans and borrowings	19,188	21,702	28,607
Derivative financial liabilities	4,607	393	63
Income tax payable	26,010	9,440	22,793
Provisions	12,220	10,454	4,256
TOTAL CURRENT LIABILITIES	162,015	159,457	152,211
NON-CURRENT LIABILITIES			
Provisions	78,598	78,063	24,217
Interest-bearing loans and borrowings	9,204	25,322	16,461
Deferred tax liabilities	110,372	151,228	112,287
TOTAL NON-CURRENT LIABILITIES	198,174	254,613	152,965
TOTAL LIABILITIES	360,189	414,070	305,176
NET ASSETS	1,250,191	1,113,192	1,000,666
EQUITY			
Issued capital	568,328	564,710	561,585
Retained earnings	669,120	529,016	419,843
Reserves	12,743	19,466	19,238
TOTAL EQUITY	1,250,191	1,113,192	1,000,666

Notes to the Consolidated Financial Report (continued)

	2013 \$'000	2012 \$'000
10. PROPERTY, PLANT AND EQUIPMENT		
Freehold land - at cost	654	654
Plant and equipment – at cost	240,306	220,706
Accumulated depreciation	(112,316)	(81,162)
	<u>127,990</u>	<u>139,544</u>
Plant and equipment under lease – at cost	101,208	98,710
Accumulated depreciation	(69,763)	(52,076)
	<u>31,445</u>	<u>46,634</u>
Buildings – at cost	118,112	115,207
Accumulated depreciation	(49,660)	(30,722)
	<u>68,452</u>	<u>84,485</u>
Buildings under lease – at cost	522	522
Accumulated depreciation	(512)	(476)
	<u>10</u>	<u>46</u>
Capital works in progress – at cost	19,373	12,018
Total property, plant and equipment		
At cost	480,175	447,817
Total accumulated depreciation	(232,251)	(164,436)
	<u>247,924</u>	<u>283,381</u>
[a] Assets pledged as security		
The value of assets pledged as security are:		
Freehold land	654	654
Plant and equipment	127,990	139,544
Plant and equipment under lease	31,445	46,634
Buildings	68,452	84,485
Buildings under lease	10	46
Capital works in progress	19,373	12,018
	<u>247,924</u>	<u>283,381</u>

Notes to the Consolidated Financial Report (continued)

2013	2012
\$'000	\$'000

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

[b] Reconciliations

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

Plant and equipment

Carrying amount at the beginning of the year	139,544	91,911
Additions	18,391	32,043
Transfers	3,951	32,339
Disposals	(52)	(1,530)
Depreciation expense	(33,844)	(15,219)
Carrying amount at the end of the year	127,990	139,544

Plant and equipment under lease

Carrying amount at the beginning of the year	46,634	52,276
Additions	2,533	27,714
Transfers	-	(11,847)
Disposals	-	(277)
Depreciation expense	(17,722)	(21,232)
Carrying amount at the end of the year	31,445	46,634

Buildings

Carrying amount at the beginning of the year	84,485	36,830
Additions	2,802	15,471
Transfers	136	39,534
Disposals	-	-
Depreciation expense	(18,971)	(7,350)
Carrying amount at the end of the year	68,452	84,485

Buildings under lease

Carrying amount at the beginning of the year	46	72
Depreciation expense	(36)	(26)
Carrying amount at the end of the year	10	46

Capital works in progress

Carrying amount at the beginning of the year	12,018	64,975
Additions	21,970	30,206
Transfers	(4,087)	(60,026)
Transfers to mine properties	(10,528)	(23,137)
Carrying amount at the end of the year	19,373	12,018

Notes to the Consolidated Financial Report (continued)

Notes

2013	2012
\$'000	\$'000

11. DEFERRED ACQUISITION, EXPLORATION AND EVALUATION COSTS

Deferred acquisition, exploration and evaluation costs carried forward in respect of mining areas of interest:

Extension Hill	68	62
Koolan Island	160	282
Fields Find	584	-
Other	49	-
	861	344

Reconciliation

Carrying amount at beginning of the year	344	309
Additions	1,640	1,125
Transferred to mine properties	(979)	(1,043)
Exploration expenditure written off	(144)	(47)
Carrying amount at the end of the year	861	344

2013	Restated 2012	Restated 1 July 2011
\$'000	\$'000	\$'000

12. MINE PROPERTIES

Mine development expenditure	1,318,075	1,205,572	913,658
Accumulated amortisation	(656,862)	(532,513)	(456,249)
	661,213	673,059	457,409

Reconciliation

Carrying amount at beginning of the year		673,059	457,409
Additions		93	58,155
Transferred from deferred acquisition, exploration, evaluation and development costs		979	1,043
Transferred from capital works in progress		10,528	23,137
Deferred waste capitalised during the year	2[d]	100,904	209,578
Amortisation expensed – deferred waste	2[d]	(97,544)	(53,268)
Amortisation expensed – other	2[d]	(26,806)	(22,995)
Derecognise opening deferred stripping balance	1(e)	-	-
Carrying amount at the end of the year		661,213	673,059

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 14.

Notes to the Consolidated Financial Report (continued)

	Notes	2013 \$'000	2012 \$'000
13. TRADE AND OTHER PAYABLES			
Current			
Trade creditors	[a]	33,720	32,867
Accruals and other payables	[a]	72,016	89,663
		105,736	122,530
[a] Current trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms.			
14. INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Lease liability	[a]	1,197	1,769
Hire purchase facility	[b]	17,991	19,933
		19,188	21,702
Non-Current			
Lease liability	[a]	-	1,197
Hire purchase facility	[b]	9,204	24,125
		9,204	25,322
Financing facilities available			
At reporting date, the following financing facilities had been negotiated and were available:			
Total facilities:			
• Finance leases	[a]	1,197	2,966
• Hire purchase facility	[b]	27,195	44,058
• Contingent Instrument facility	[c]	65,000	65,000
• Corporate Debt	[c]	-	50,000
		93,392	162,024
Facilities used at reporting date:			
• Finance leases		1,197	2,966
• Hire purchase facility		27,195	44,058
• Contingent Instrument facility		58,625	57,743
• Corporate Debt		-	-
		87,017	104,767
Facilities unused at reporting date:			
• Finance leases		-	-
• Hire purchase facility		-	-
• Contingent Instrument facility		6,375	7,257
• Corporate Debt		-	50,000
		6,375	57,257

Notes to the Consolidated Financial Report (continued)

Terms and conditions relating to the above financial facilities:

[a] **Finance Lease Facility**

Finance leases are repayable monthly with final instalments due in May 2014. Interest is charged at an average rate of 8.29% pa. The facilities are secured by first mortgages over the leased assets.

[b] **Hire Purchase Facility**

Hire purchase arrangements have been entered into by Koolan Iron Ore Pty Ltd and Mount Gibson Mining Ltd via Master Lease agreements with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Hire purchase amounts are repayable monthly with final instalments due in August 2016. Interest is charged at an average rate of 7.58% pa. The facilities are secured by a first mortgage over the assets the subject of the hire purchase agreements and a guarantee from the Company. This facility is drawn and repayable in A\$.

[c] **Corporate Debt and Contingent Instrument Facility**

On 9 May 2011, the Company entered into a Facility Agreement for a \$115,000,000 finance facility which expires on 30 June 2014 consisting of:

- Senior debt facility of \$50,000,000 repayable as follows:
 - \$25,000,000 on 31 December 2013; and
 - \$25,000,000 on 30 June 2014.
- Contingent Instrument facility of \$65,000,000 (including guarantees and performance bonds).

On 22 April 2013, the Company cancelled the undrawn senior debt facility of \$50,000,000.

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

	Notes	2013 \$'000	2012 \$'000
15. DERIVATIVE FINANCIAL LIABILITIES			
Current			
Foreign currency forward contracts	30[b][i]	4,607	393
		4,607	393

Notes to the Consolidated Financial Report (continued)

Notes	2013 \$'000	2012 \$'000
16. PROVISIONS		
Current		
Employee benefits	6,314	6,012
Road resealing	633	433
Restructure	5,437	4,158
	12,384	10,603
Non-Current		
Employee benefits	1,057	666
Decommissioning rehabilitation	77,580	77,432
	78,637	78,098
Movement in provisions:		
<i>Road Resealing</i>		
Carrying amount at beginning of the year	433	100
Provision for period	400	333
Amounts utilised during the period	(200)	-
Carrying amount at end of the year	633	433
This provision relates to the forecast cost of roadworks associated with the Tallering Peak mine site. The payments to the shires are made annually.		
<i>Restructure</i>		
Carrying amount at beginning of the year	4,158	-
Provision for period	2,674	4,158
Amounts utilised during the period	(1,395)	-
Carrying amount at end of the year	5,437	4,158
This provision relates to the forecast costs associated with release of personnel on closure of Tallering Peak, which is expected to occur in June 2014.		
<i>Decommissioning Rehabilitation</i>		
Carrying amount at beginning of the year	77,432	23,666
Provision for period	-	52,779
Amounts utilised during the period	(1,890)	-
Interest accretion on rehabilitation provision	2,038	987
Carrying amount at end of the year	77,580	77,432
This provision represents the present value of decommissioning and rehabilitation costs on closure of the Tallering Peak, Koolan Island and Extension Hill mines. The timing of decommissioning and rehabilitation expenditure is dependent on the life of the mines, which may vary in future.		
Tallering Peak	8,584	10,406
Koolan Island	61,313	59,569
Extension Hill	7,683	7,457
	77,580	77,432

Notes to the Consolidated Financial Report (continued)

2013	2012
\$'000	\$'000

17. ISSUED CAPITAL

[a] Ordinary shares

Issued and fully paid

568,328	564,710
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[b] Movement in ordinary shares on issue

	2013		2012	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the financial year	1,085,728,430	564,710	1,082,570,693	561,585
Exercise of performance rights	-	-	294,906	-
Shares issued under dividend reinvestment plan	4,855,802	3,523	2,717,071	3,020
Shares issued - other	-	-	145,760	199
Deferred income tax on capital raising cost	-	95	-	(94)
End of the financial year	1,090,584,232	568,328	1,085,728,430	564,710

[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 2013, there were no options on issue (2012: 2,000,000) – see Note 21(b).

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

[e] Performance rights

As at 30 June 2013, there were 904,908 performance rights on issue (2012: 271,318) – see Note 21(c).

[f] Capital management

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

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

No changes were made in the objectives, policy or processes for managing capital during the years ended 30 June 2013 and 30 June 2012.

Notes to the Consolidated Financial Report (continued)

	Notes	2013 \$'000	2012 \$'000
18. RESERVES			
Option premium reserve	[a]	19,160	18,875
Net unrealised gains/(losses) reserve	[b]	(3,225)	3,783
Other reserves	[c]	(3,192)	(3,192)
		12,743	19,466

[a] Option premium reserve

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

Balance at the beginning of the year	18,875	18,991
Share based payments	285	(116)
Balance at the end of the year	19,160	18,875

[b] Net unrealised gains/(losses) reserve

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

Balance at the beginning of the year	3,783	3,439
Net gains/(losses) on cash flow hedges	(9,798)	283
Deferred income tax on cash flow hedges	2,790	61
Balance at the end of the year	(3,225)	3,783

[c] Other reserves

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

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)

		2013 \$'000	Restated 2012 \$'000
19. RETAINED EARNINGS			
Balance at the beginning of the year		487,162	390,103
Dividends paid during the period	23(a)	(43,526)	(64,957)
Net profit attributable to members of the Company		157,342	162,016
Balance at the end of the year		600,978	487,162

Notes to the Consolidated Financial Report (continued)

	Notes	2013 \$'000	2012 \$'000
20. EXPENDITURE COMMITMENTS			
[a] Exploration Expenditure Commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		890	545
• Later than one year but not later than five years		2,588	1,978
• Later than five years		2,658	2,653
		6,136	5,176
[b] Operating Lease Commitments	[ii]		
Minimum lease payments			
• Not later than one year		17,305	19,761
• Later than one year but not later than five years		8,258	15,564
• Later than five years		1,055	-
		26,618	35,325
[c] Finance Lease and Hire Purchase Commitments	[iii]		
Minimum lease payments			
• Not later than one year		20,571	24,451
• Later than one year but not later than five years		9,643	26,984
Total minimum lease payments		30,214	51,435
Future finance charges		(1,822)	(4,411)
		28,392	47,024
Total lease liability accrued for:			
Current			
Finance leases and hire purchase facility	14	19,188	21,702
Non-Current			
Finance leases and hire purchase facility	14	9,204	25,322
		28,392	47,024
[d] Property, plant and equipment commitments	[iv]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		244	3,323
• Later than one year but not later than five years		-	-
		244	3,323
[e] Contractual commitments	[v]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		71,299	69,998
• Later than one year but not later than five years		98,854	105,555
		170,153	175,553

Notes to the Consolidated Financial Report (continued)

- [i] In order to maintain current rights to explore and mine the tenements at Tallering Peak, Koolan Island and Extension Hill, 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 relates to leases for office space with an initial term of 6 years and leases for machinery which have an average term of 1.8 years.
- [iii] Finance leases and hire purchase arrangements have an average term of 3.5 years with, in certain cases, the option to purchase the asset at the completion of the lease term for a pre-agreed amount. The average discount rates implicit in the finance leases and hire purchase arrangements are 8.29% pa and 7.58% pa respectively (2012: 8.94% pa and 7.48% pa respectively). Lease liabilities are secured by a charge over the leased assets.
- [iv] The Group has contractual commitments to purchase property, plant and equipment relating principally to the construction of buildings at Koolan.
- [v] Amounts disclosed as contractual commitments relate to contracts in respect of mining and transport that are not recognised as liabilities.

Notes	2013 \$'000	2012 \$'000
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21. SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment (income)/expense

(Income)/expense arising from equity-settled share-based payment transactions

2[e]	285	(116)
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The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2013 and 2012.

(b) Employee share scheme

An employee share 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 2013. As at balance date the following options over unissued shares were on issue:

Exercise Price	Vesting date / Exercise Period	2013 Number	2012 Number
110 cents	Vested 24 Oct 2010 – exercise on or before 23 Oct 2012	-	2,000,000
		-	2,000,000

The remaining contractual life for the options on issue as at 30 June 2012 is less than 1 year.

Information with respect to the number of options granted and issued under the employee share scheme is as follows:

	2013		2012	
	No. of Options	Weighted average exercise price (cents)	No. of Options	Weighted average exercise price (cents)
Balance at beginning of year	2,000,000	110.0	2,000,000	110.0
- granted	-	-	-	-
- forfeited	(2,000,000)	(110.0)	-	-
- exercised	-	-	-	-
Balance at year end	-	-	2,000,000	110.0
Exercisable at year end	-	-	2,000,000	110.0

Notes to the Consolidated Financial Report (continued)

(c) Performance Rights Plan

The Company has established the Mount Gibson Iron Limited Performance Rights Plan. Rights are granted at no cost to the executives and convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return ("TSR") measured against a comparator group of companies over the same period. The Board is currently undertaking a review of the hurdles within the Performance Rights Plan and may consider modification of the hurdles in future periods.

The vesting scale is as follows:

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

The following table list the inputs to the model used for the Performance Rights Plan:

	2013	2013	2012
Accounting grant date	19-Sep-2012	01-Jul-2012	30-Jun-2012
Share price at accounting grant date	\$0.90	\$0.92	\$1.03
Risk free interest rate	2.55%	2.35%	2.67%
Volatility factor	51%	51%	51%

Information with respect to the number of Performance Rights granted and issued is as follows:

	2013 No. of Performance Rights	2012 No. of Performance Rights
Balance at beginning of year	271,318	1,102,599
- granted	633,590	271,318
- vested	-	(294,906)
- lapsed/forfeited	-	(807,693)
Balance at year end	904,908	271,318
Exercisable at year end	-	-

Notes to the Consolidated Financial Report (continued)

	2013	2012
	\$'000	\$'000
(c) Franked dividends:		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	41,670	6,232
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	7,396	12,503
	49,066	18,735
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	(9,348)	(9,306)
	39,718	9,429

Tax rates

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

24. CONTINGENT LIABILITIES

1. The Group has a performance bond facility drawn to a total of \$58,625,000 (2012: \$57,743,000). The performance bonds secure the Group's obligations relating to environmental matters and historical rail upgrades.
2. A dispute has arisen between Mount Gibson Mining Limited and a construction contractor. The contractor is seeking that Mount Gibson Mining Limited pay an additional sum of \$6,550,000 in connection with historical works. Mount Gibson Mining Limited disputes that the additional sum is payable. The parties have commenced arbitration to resolve the matter.
3. A dispute has arisen between Mount Gibson Iron Limited and a third party regarding payment of an advisory fee in connection with the Company's takeover of Aztec Resources Limited in the 2006/07 financial year. The parties are involved in litigation before the New South Wales Supreme Court in an attempt to resolve the matter. The third party claim is valued at approximately \$10,000,000. The Company disputes the validity of the claim and believes it will be successful in defending the claim.
4. A dispute has arisen between Mount Gibson Iron Limited and a third party regarding the amount of royalty payable in connection with the Company's mining operations at Extension Hill. The Company is in disagreement as to the amount of the royalty payable. The disputed portion of the third party claim is dependent upon future iron ore prices and could be valued at approximately \$2,500,000 per year over the life of the mine.
5. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

Notes to the Consolidated Financial Report (continued)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

[a] Compensation of Key Management Personnel

	2013 \$	2012 \$
Short-term	3,592,171	3,414,904
Post employment	182,865	170,353
Long-term	1,917	256
Share-based payment	277,592	(115,988)
Termination payment	-	773,023
	4,054,545	4,242,548

[b] Option holdings of Key Management Personnel

30 June 2013	Balance at Beginning of Period 1 July 2012	Granted as Remuneration	Options Exercised	Net Change	Balance at End of Period 30 June 2013	Vested at 30 June 2013		
						Total	Not Exercisable	Exercisable
Directors								
G Hill	-	-	-	-	-	-	-	-
Lee SH	-	-	-	-	-	-	-	-
A Jones	-	-	-	-	-	-	-	-
Chen Z	-	-	-	-	-	-	-	-
Li S	-	-	-	-	-	-	-	-
R Barwick	-	-	-	-	-	-	-	-
S Bird	-	-	-	-	-	-	-	-
P Dougas	-	-	-	-	-	-	-	-
A Ferguson	-	-	-	-	-	-	-	-
Other KMP								
J Beyer	-	-	-	-	-	-	-	-
P Kerr	-	-	-	-	-	-	-	-
K Bozanic	-	-	-	-	-	-	-	-
A Thomson	-	-	-	-	-	-	-	-
K Faulkner	-	-	-	-	-	-	-	-
D Stokes	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

30 June 2012	Balance at Beginning of Period 1 July 2011	Granted as Remuneration	Options Exercised	Net Change	Balance at End of Period 30 June 2012	Vested at 30 June 2012		
						Total	Not Exercisable	Exercisable
Directors								
G Hill	-	-	-	-	-	-	-	-
A Jones	-	-	-	-	-	-	-	-
Chen Z	-	-	-	-	-	-	-	-
Li S	-	-	-	-	-	-	-	-
R Barwick	-	-	-	-	-	-	-	-
Chen Z	-	-	-	-	-	-	-	-
P Knowles	-	-	-	-	-	-	-	-
C Readhead	-	-	-	-	-	-	-	-
I Macliver	-	-	-	-	-	-	-	-
Cao Z	-	-	-	-	-	-	-	-
L Tonkin	-	-	-	-	-	-	-	-
A Rule	-	-	-	-	-	-	-	-
Other KMP								
D Quinlivan	-	-	-	-	-	-	-	-
D Berg	-	-	-	-	-	-	-	-
D Stokes	-	-	-	-	-	-	-	-
K Faulkner	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Report (continued)

[c] Shareholdings of Key Management Personnel

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

	Balance 1 July 2011	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 30 June 2012
30 June 2012	Ord	Ord	Ord	Ord	Ord
Directors					
G Hill	-	-	-	70,000	70,000
A Jones	-	-	-	-	-
Chen Z	-	-	-	-	-
Lee SH	-	-	-	-	-
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	-	-	-	20,000	20,000
P Douglas	20,000 ^[1]	-	-	80,000	100,000
C Readhead	567,500	-	-	(567,500) ^[2]	-
I Macliver	1,000,000	-	-	(1,000,000) ^[3]	-
Cao Z	-	-	-	-	-
L Tonkin	-	-	-	-	-
A Rule	-	-	211,778	-	211,778
Other KMP					
J Beyer	-	-	-	-	-
D Berg	-	-	83,128	(83,128) ^[4]	-
D Stokes	-	-	-	-	-
K Faulkner	-	-	-	-	-
Total	1,587,500	-	294,906	(1,480,628)	401,778

[1] Initial interest on appointment as at 16 November 2011

[2] Final interest on resignation as at 14 December 2011

[3] Final interest on resignation as at 16 November 2011

[4] Final interest on resignation as at 30 April 2012

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the Consolidated Financial Report (continued)

[d] Performance Rights holdings by Key Management Personnel

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

	Balance 1 July 2011	Granted as Remuneration	Vested during year	Lapsed/ forfeited During year	Balance 30 June 2012
30 June 2012					
Directors					
G Hill	-	-	-	-	-
A Jones	-	-	-	-	-
Chen Z	-	-	-	-	-
Lee SH	-	-	-	-	-
Li S	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	-	-	-	-	-
P Douglas	-	-	-	-	-
C Readhead	-	-	-	-	-
I Macliver	-	-	-	-	-
Cao Z	-	-	-	-	-
L Tonkin	535,985	-	-	(535,985)	-
A Rule	382,846	-	(211,778)	(171,068)	-
Other KMP					
J Beyer	-	271,318	-	-	271,318
D Berg	183,768	-	(83,128)	(100,640)	-
D Stokes	-	-	-	-	-
K Faulkner	-	-	-	-	-
Total	1,102,599	271,318	(294,906)	(807,693)	271,318

[e] Loans to Specified Key Management Personnel

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

[f] Other Transactions and Balances with Key Management Personnel

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

Notes to the Consolidated Financial Report (continued)

26. RELATED PARTY DISCLOSURE

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the year Mr Li and Mr Chen were directors of Shougang Concord and Mr Lee, Mr Curry and Mr Ferguson were directors of APAC.

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

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

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

- Sold 1,180,188 WMT (2012: 1,203,488 WMT) of iron ore to APAC; and
- Sold 3,360,446 WMT (2012: 2,883,959 WMT) of iron ore to Shougang Concord.

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

	2013 \$'000	2012 \$'000
Assets and Liabilities		
<i>Current Assets</i>		
Trade receivables - APAC	2,019	426
Trade receivables - Shougang Concord	4,267	8,133
Total trade receivables	6,286	8,559
Total Assets	6,286	8,559
<i>Current Liabilities</i>		
Trade payables – APAC	(1)	-
Trade payables - Shougang Concord	(11)	2
Total trade payables	(12)	2
Total Liabilities	(12)	2
Revenues and Expenses		
Sale of goods - APAC	104,721	116,331
Sale of goods - Shougang Concord	361,204	387,059
Total Sale of Goods	465,925	503,390

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

27. AUDITOR'S REMUNERATION

	2013 \$	2012 \$
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	254,395	231,885
▪ Other services in relation to the entity and any other entity in the consolidated entity	13,285	-
	267,680	231,885

Notes to the Consolidated Financial Report (continued)

28. SEGMENT INFORMATION

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

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

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

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements. During the year ended 30 June 2013, revenue received from the sale of iron ore was comprised of the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

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

During the year ended 30 June 2012, revenue received from the sale of iron ore was comprised of the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2012 \$'000
# 1	387,059
# 2	116,331
# 3	59,140
# 4	47,209
Other	27,272
	<u>637,011</u>

Revenue from external customers by geographical location is based on location of the customer. In the 2012 financial year, all iron ore was shipped to China. In the 2013 financial year, approximately 2% of the iron ore sales were sold on a mine gate basis to a local buyer, with the vast majority of the balance shipped to China.

All segment assets are located within Australia.

29. EVENTS AFTER THE BALANCE SHEET DATE

On 22 August 2013, the Company declared a final dividend on ordinary shares in respect of the 2012/13 financial year of \$0.02 per share fully franked. The total amount of the dividend is \$21,812,000. The dividend has not been provided for in the 30 June 2013 financial statements.

Subsequent to the end of the period, the Board approved the award of certain amounts under the Company's Short Term and Long Term Incentive Plans to members of executive management team. These amounts have been included in the financial statements and Directors' Report for the year.

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

Notes to the Consolidated Financial Report (continued)

30. FINANCIAL INSTRUMENTS

[a] Financial risk management objectives

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and hire purchase contracts, 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 denominated in US\$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US\$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the A\$/US\$ exchange rate and to protect against adverse movements in this rate.

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

During the period from 1 July 2012 to 30 June 2013, the Group delivered into US dollar foreign exchange forward contracts totalling US\$309,999,994 at a weighted average exchange rate of A\$1.00/US\$1.0064.

At 30 June 2013, the notional amount of the foreign exchange hedge book totalling US\$55,000,000 is made up as follows:

- Forward contracts totalling US\$55,000,000 due in the 12 months ending 30 June 2014 and with a weighted average contract rate of A\$1.00/US\$0.9860.

As at 30 June 2013, the mark-to-market loss on the total outstanding US dollar foreign exchange hedge book of US\$55,000,000 was A\$4,606,687.

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

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

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

Notes to the Consolidated Financial Report (continued)

[i] Foreign exchange contracts - cash flow hedges

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

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

	2013				2012			
	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	0.9860	55,000	55,781	(4,607)	0.9900	200,000	202,012	5,191
Total	0.9860	55,000	55,781	(4,607)	0.9900	200,000	202,012	5,191

	2013 \$'000	2012 \$'000
Current assets (note 8)	-	5,584
Current liabilities (note 15)	(4,607)	(393)
Total forward exchange contracts	(4,607)	5,191

Movement in forward exchange contract cash flow hedge reserve:

	2013 \$'000	2012 \$'000
Opening balance	5,191	323
Change in fair value of cash flow hedges net of tax	(18,860)	(6,585)
Transferred from / (to) revenue in Income Statement net of tax	9,062	11,453
Closing balance	(4,607)	5,191

Cash flow hedge ineffectiveness recognised immediately in profit and loss - -

[ii] Foreign currency sensitivity

The following table details the effect on profit after tax and other comprehensive income after tax of a 10% change in the A\$ against the US\$ from the spot rates at 30 June 2013 and 30 June 2012 due to changes in the fair value of monetary assets and liabilities.

	Net Profit		Other Comprehensive Income	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
10% appreciation in the A\$ spot rate with all other variables held constant	(2,268)	(749)	601	23,007
10% depreciation in the A\$ spot rate with all other variables held constant	2,772	915	(7,907)	(19,461)

Notes to the Consolidated Financial Report (continued)

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

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

		CONSOLIDATED	
		2013	2012
		\$'000	\$'000
Financial Assets			
Cash	(included within Note 4)	6,536	1,149
Trade receivables	(included within Note 6)	29,146	10,755
Financial Liabilities			
Trade payables	(included within Note 13)	(43)	(136)
Net exposure		35,639	11,768

[c] Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations and cash equivalents.

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.

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

Notes to the Consolidated Financial Report (continued)

	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount per balance sheet		Weighted Average Interest	
	2013	2012	1 year or less		Over 1 to 5 years		2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
CONSOLIDATED												
i) Financial assets												
Cash	47,014	40,673	-	-	-	-	4	5	47,018	40,678	1.12	2.82
Short-term deposits	-	-	15,000	-	-	-	-	-	15,000	-	3.78	-
Term deposits	-	-	314,000	252,000	-	-	-	-	314,000	252,000	4.00	5.65
Trade and other receivables	-	-	-	-	-	-	47,301	23,792	47,301	23,792	-	-
Derivatives	-	-	-	-	-	-	-	5,584	-	5,584	-	-
Total financial assets	47,014	40,673	329,000	252,000	-	-	47,305	29,381	423,319	322,054		
ii) Financial liabilities												
Trade and other payables	-	-	-	-	-	-	105,736	122,530	105,736	122,530	-	-
Derivatives	-	-	-	-	-	-	4,607	393	4,607	393	-	-
Lease liabilities	-	-	1,197	1,769	-	1,197	-	-	1,197	2,966	8.29	8.94
Hire purchase	-	-	17,991	19,933	9,204	24,125	-	-	27,195	44,058	7.58	7.48
Total financial liabilities	-	-	19,188	21,702	9,204	25,322	110,343	122,923	138,735	169,947		

Notes to the Consolidated Financial Report (continued)

[i] Interest rate sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 1% change in interest rates at 30 June 2013 and 30 June 2012.

	Net Profit		Other Comprehensive Income	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
• 1% increase in interest rate with all other variables held constant	2,303	1,764	-	-
• 1% decrease in interest rate with all other variables held constant	(2,303)	(1,764)	-	-

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 guarantee at least 90% of receivable amount at the time of sale.

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

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

[e] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sells iron ore to its customers. The Group's sales revenue is derived under long term sales contracts for the life of mine at each of its operations. The pricing mechanism in these contracts reflects a market based clearing index. The pricing mechanism adopts the Platts Iron Ore Index Price ("**Platts Index**") which is published daily for iron ore "fines" with Fe content ranging from 52% to 65% and is quoted on a US\$ per dry metric tonne "Cost and Freight" North China basis. The price to be paid by Mount Gibson's customers is based on the applicable Platts Index for the type and quality of ore delivered and reflects the average Platts Index for the preceding or the actual calendar month of the iron ore shipment. The average monthly Platts Index is converted to an "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 Qingdao in 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)

[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, finance leases and hire purchase contracts. 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 maximise 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 2013, the Group had unutilised standby credit facilities totalling \$6,375,000 (2012: \$57,257,000). Refer Note 14.

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

	30 June 2013					30 June 2012				
	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	105,736	-	-	-	105,736	122,530	-	-	-	122,530
Lease liabilities	338	931	-	-	1,269	741	1,203	1,269	-	3,213
Hire purchases	11,336	7,964	9,643	-	28,943	11,604	10,903	25,714	-	48,221
Derivatives – Gross Inflow	(51,200)	-	-	-	(51,200)	(185,662)	(21,671)	-	-	(207,333)
Derivatives – Gross Outflow	55,807	-	-	-	55,807	181,368	20,775	-	-	202,143
	122,017	8,895	9,643	-	140,555	130,581	11,210	26,983	-	168,774

Notes to the Consolidated Financial Report (continued)

[g] Fair value of financial assets and financial liabilities

The carrying amounts and fair values of the financial assets and financial liabilities for the Group are shown below.

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

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

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

	2013		2012	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial assets - current				
Cash	47,018	47,018	40,678	40,678
Short-term deposits	15,000	15,000	-	-
Term deposits	314,000	314,000	252,000	252,000
Trade debtors	37,705	37,705	13,432	13,432
Other receivables	9,596	9,596	10,360	10,360
Derivatives	-	-	5,584	5,584
	423,319	423,319	322,054	322,054
Financial liabilities – current				
Trade and other payables	105,736	105,736	122,530	122,530
Lease and hire purchase liabilities	19,188	19,188	21,702	21,702
Derivatives	4,607	4,607	393	393
	129,531	129,531	144,625	144,625
Financial liabilities – non current				
Lease and hire purchase liabilities	9,204	9,204	25,322	25,322
	9,204	9,204	25,322	25,322
Net financial assets	284,584	284,584	152,107	152,107

Notes to the Consolidated Financial Report (continued)

31. PARENT ENTITY INFORMATION

	2013 \$'000	2012 \$'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	454	846
Total assets	659,811	670,726
Current liabilities	26,466	10,215
Total liabilities	209,990	205,593
Issued capital	568,328	564,805
Accumulated losses	(137,667)	(118,546)
Share based payments reserve	19,160	18,874
Total Shareholder's Equity	449,821	465,133
Net profit/(loss) after tax of the parent entity	24,404	(46,429)
Total comprehensive income/(loss) of the parent entity	24,404	(46,429)

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

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

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

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

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

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

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

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

[e] Tax Consolidation

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

Notes to the Consolidated Financial Report (continued)

Directors' Declaration

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

1. In the opinion of the Directors:
 - a. the financial statements, notes and the additional disclosures included in the Directors Report designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position of the Group as at 30 June 2013 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 2013.

Signed in accordance with a resolution of the directors.



G HILL
Chairman

Perth, 22 August 2013

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 2013, 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:

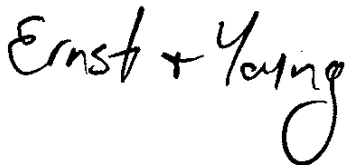
- a. the financial report of Mount Gibson Iron Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



P McIver
Partner
Perth
22 August 2013

ASX Additional Information

The following information is required in order to complete the back end of the annual report entitled "ASX and Additional Information". The information is current as at 14 August 2013.

(a) Distribution of equity securities

The number of Shareholders, by size of holding, in each class of Share, are as follows:

			Ordinary Shares		
			Number of Shares	% of Issued Capital	
			Number of holders		
1	-	1,000	2,197	1,236,537	0.11
1,001	-	5,000	5,465	16,150,610	1.48
5,001	-	10,000	3,055	24,269,130	2.23
10,001	-	100,000	4,167	121,667,237	11.16
100,001	-	999,999,999	331	927,260,718	85.02
TOTAL			15,215	1,090,584,232	100.00
The number of Shareholders holding less than a marketable parcel of Shares are:			1,330	420,002	0.04%

(b) Equity security holders

The names of the twenty largest holders of quoted Shares are:

	Ordinary Shares	
	Number of Shares	% of Shares Held
True Plus Limited	159,166,874	14.59
Sun Hung Kai Investment Services Ltd <Client A/C>	151,523,460	13.89
HSBC Custody Nominees (Australia) Limited	86,234,025	7.91
APAC Resources Investments Limited	82,900,000	7.60
JP Morgan Nominees Australia Limited	72,826,760	6.68
Sun Hung Kai Investment Services Ltd <Client A/C>	55,203,818	5.06
National Nominees Limited	52,309,856	4.80
Citicorp Nominees Pty Limited	47,844,020	4.39
Debortoli Wines Pty Limited	30,046,165	2.76
JP Morgan Nominees Australia Limited <Cash Income A/C>	29,412,534	2.70
Sun Hung Kai Investment Services Ltd <Client Katong Assets Ltd A/C>	19,713,660	1.81
BNP Paribas Noms Pty Ltd <DRP>	11,222,632	1.03
Zero Nominees Pty Ltd	6,777,120	0.62
Queensland Investment Corporation Limited	4,779,438	0.44
True Plus Limited	4,700,000	0.43
Bond Street Custodians Limited <Macq High Conv Fund A/C>	4,319,690	0.40
Citic Resources Australia Pty Ltd	3,405,000	0.31
HSBC Custody Nominees (Australia) Limited – A/C 3	3,264,735	0.30
Mr Desmond George Samuel Anderson	3,050,000	0.28
HSBC Custody Nominees (Australia) Limited – A/C 2	3,048,622	0.28
Top 20 holders	831,748,409	76.27
Total Remaining Holders Balance	258,835,823	23.73
Total Issued Ordinary Shares	1,090,584,232	100.00

ASX Additional Information continued

(c) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	% of Current Issued Shares
1. APAC Resources Limited and its subsidiaries	279,877,774	25.66%
2. COL Capital Limited, its subsidiaries and Ms Shirley Chong Suk Un	282,992,277	25.95%
Note: Substantial shareholdings 1 and 2 are not cumulative and arise through common shareholdings.		
3. Shougang Corporation and Shougang Concord International Enterprises Company Limited and each of their controlled entities	154,166,874	14.14%
4. Shougang Fushan Resources Group Limited, True Plus Limited and its subsidiaries	154,166,874	14.14%
Note: Substantial shareholdings 3 and 4 are not cumulative and arise through common shareholdings.		

(d) Voting rights

All ordinary Shares carry one vote per Share without restriction.

No voting rights attach to options.

(e) Schedule of interests in mining tenements

Location	Tenement	Status	Percentage Held
Koolan Island	E04/1266-I	Live	100%
Koolan South	E04/1407-I	Live	100%
Koolan Island	L04/29	Live	100%
Koolan Island	M04/416 - I	Live	100%
Koolan Island	M04/417 - I	Live	100%
Extension Hill	G70/232	Live	100%
Extension Hill	G70/238	Live	100%
Extension Hill	L70/133	Pending	100%
Tallering Peak	G70/192	Live	100%
Tallering Peak	G70/193	Live	100%
Tallering Peak	G70/201	Live	100%
Tallering Peak	G70/202	Live	100%
Tallering Peak	G70/203	Live	100%
Tallering Peak	G70/204	Live	100%
Tallering Peak	G70/205	Live	100%
Tallering Peak	L70/60	Live	100%
Tallering Peak	L70/69	Live	100%
Tallering Peak	L70/73	Live	100%
Tallering Peak	L70/74	Live	100%
Tallering Peak	M70/896 - I	Live	100%
Tallering Peak	M70/1062 - I	Live	100%
Tallering Peak	M70/1063 - I	Live	100%
Tallering Peak	M70/1064 - I	Live	100%
Tallering Peak	E70/3732	Pending	100%
Piawaning	E70/3059 - I	Live	100%
Piawaning	E70/4509	Pending	100%
Piawaning	E70/4510	Pending	100%
Piawaning	E70/4511	Pending	100%
Jasper Hill	E59/1355-I	Live	100%
Fields Find	E59/1268-I	Live	100%
Fields Find	M59/63	Live	100%
Fields Find	E59/1938	Pending	100%
Fields Find	E59/1939	Pending	100%
Fields Find	E59/1940	Pending	100%
Fields Find	E59/1984	Pending	100%
Fields Find	P59/1991	Pending	100%
Fields Find	P59/1996	Pending	100%
Fields Find	P59/1997	Pending	100%
Fields Find	P59/1998	Pending	100%
Wellstead	E70/4424	Pending	100%