CASHMERE IRON LIMITED

ACN 126 738 949

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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FOR THE YEAR ENDED 30 JUNE 2013

Directors & Officers
Mr Derek La Ferla - Non-Executive Chairman
Mr David Hendrie - Managing Director
Mr Graeme Sampson - Non-Executive Director

Ms Lisa Wynne - Company Secretary

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Australian Company Number
ACN 126 738 949

Domicile and Country of Incorporation
Australia

Bankers
Commonwealth Bank
Level 2, 150 St Georges Tce
Perth WA 6000

Auditors
Grant Thornton Audit Pty Ltd
10 Kings Park Rd
West Perth, WA, 6005
Website: www.grant-thornton.com.au

Share Registry
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Solicitors
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000
Website: www.steinpag.com.au

The Directors present their report on the consolidated entity consisting of Cashmere Iron Limited (hereinafter referred to as the Company) and entities it controlled at the end of or during the year ended 30 June 2013 (referred to hereafter as the Group).

1. INFORMATION ON THE BOARD OF DIRECTORS

The names and details of the Company's Directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Directors	Position	Appointment	Resignation
Mr Derek La Ferla	Non-Executive Chairman	20/01/2011	-
Mr David Hendrie	Managing Director	26/07/2007	-
Mr Graeme Sampson	Non-Executive Director	25/01/2012	-
Mr A. Ron Master	Non-Executive Director	29/03/2012	28/02/2013

Mr Derek La Ferla – Non-Executive Chairman

Mr La Ferla is a qualified solicitor and is a Perth based partner with international law firm, Norton Rose Fulbright. He has been legal advisor on a large number of corporate and commercial transactions, including mergers, acquisitions and capital raisings over 25 years. He has worked closely with the boards and management of many public, private and statutory corporations with particular emphasis over the past eight years on corporate governance, director responsibilities and balancing commercial, risk and management considerations.

Mr La Ferla is currently Non-Executive Chairman of ASX listed companies Sandfire Resources NL (since May 2010) and OTOC Limited (since October 2011).

Mr David Hendrie – Managing Director

Mr Hendrie is a retired British Army major with extensive experience in the areas of finance, logistic support and organizational support. Since retiring from service in the 1990's, Mr Hendrie has worked in the mining sector within the areas of finance and management. He has a reputation for strong project management, with a focus on achieving goals and resolving issues.

Mr Graeme Sampson - Non-Executive Director

Mr Sampson has a Bachelor of Commerce Degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants in Australia with over 30 years of experience in providing accounting, taxation, corporate finance and commercial advice to a diverse range of clients. Mr Sampson is the Principal of Enigma Capital Solutions Pty Ltd, a specialist corporate advisory practice based in Perth.

Mr A. Ron Master – Non-Executive Director (Resigned 28 February 2013)

Mr Master is a respected mineralogist and geotechnician with 40 years of experience in the mining industry. His formal qualifications are from Kent State University, with a double major in geology and engineering (1962-1967). He completed further studies in 1974 at the Central Institute of Technology in New Zealand. He has worked extensively across Australia and New Zealand. He established a consulting firm with work done for companies including Ashton Mining, Metana Minerals, Great Central Mines, Triad Minerals, Moonstone and SGS Laboratories. His services have included optical mineralogy, heavy mineral identification, mineral project evaluation, mapping, preparation of annual mining reports and the planning and supervision of field exploration and drilling programs.

2. INFORMATION ON OFFICERS OF THE COMPANY

Lisa Wynne – Company Secretary

Ms Wynne is a Chartered Secretary and Chartered Accountant with significant experience in the administration of ASX and TSX listed companies, corporate governance and corporate finance.

Ms Wynne has held the position of Company Secretary for a number of ASX and TSX listed resources companies and provided corporate and financial services to public companies for in excess of nine years.

3. DIRECTORS' HOLDINGS

The following table sets out each current Director's relevant interest in shares and rights or options to acquire shares of the Company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares	Unlisted Options
D. La Ferla	1,326,923	-
D. Hendrie	49,479,000 [1]	9,474,750 [2]
G. Sampson	2,212,364	-
Total	**53,018,287**	**9,474,750**

[1] Mr Hendrie' s shareholding includes his relevant interest in Mabrouk Minerals Pty Ltd which holds 3,000,000 shares.
[2] Mr Hendrie' s unlisted options are Series D Options which have an exercise price of $0.20 and expire 31/12/14.

The Company was incorporated on 26 July 2007 and as at the date of this Report, the Company had on issue 328,130,660 ordinary shares and 96,526,750 options over ordinary shares.

4. DIRECTORS' MEETINGS

The number of Director's meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Directors	Number Eligible to Attend	No. Attended
D. La Ferla	4	4
D. Hendrie	4	4
G. Sampson	4	4
A.R. Master	2	2

5. CORPORATE STRUCTURE

Cashmere Iron Limited is a company limited by shares, incorporated and domiciled in Australia. Cashmere Iron Limited had one subsidiary company during the year, Australian Infrastructure Group Limited.

6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration of mineral assets in Australia.

7. OPERATING AND FINANCIAL REVIEW

A. Operations

Cashmere Iron Limited is an iron ore exploration company operating in Australia. The Group creates value for shareholders, through exploration activities which develop and quantify iron ore assets.

During the period, the Group continued to actively explore and develop its Cashmere Downs Project in the Mid-West region of Western Australia and subsequent to the period end, the Group entered into negotiations with a private steel mill in China with respect to the purchase of the Groups Direct Shipping Ore ('DSO'). For further information refer to the Review of Operations and Note 13 of the Directors Report.

B. Financial Performance & Financial Position

The financial results of the Group are as follows:

	30-Jun-13	30-Jun-12	% Change
Cash and cash equivalents ($)	**79,351**	504,058	-84%
Net assets ($)	**13,879,410**	17,773,482	-22%
Revenue ($)	**6,779**	116,769	-94%
Net loss after tax ($)	**(3,905,322)**	(3,318,218)	18%
Loss per share (cents)	**(1.25)**	(1.06)	18%

Financial Performance

The financial result for the year ended 30 June 2013 is a net loss after tax of $3,905,322 (2012: $3,318,218), as per the table above.

The Group is creating value for shareholders through its exploration expenditure and currently has no revenue generating operations. Revenue is generated from interest income for funds held on deposit, as the funds held on deposit have decreased during the year to $79,351 from $504,058 at 30 June 2012, accordingly the revenue has decreased 94% on the prior year.

During the year, corporate and administration expenses decreased by 83% and personnel expenses decreased 28% on the prior year, due to austerity measures adopted within the Company's operations. Finance costs however increased to $46,855 or 629% (2012: $6,431) due to the Company sourcing additional working capital from debt in the form of a loan facility which attracted interest at a rate of 10% per annum. This change in funding source is due to the downturn in the equity markets during the financial year.

Financial Position

The Group invested $531,894 in the Company's Cashmere Downs Project during the period. The Group's net assets decreased by 22%, due to the write off of the Group's port definitive feasibility study which was carried on the statement of financial position at $2.7m at 30 June 2012. Additionally the increase in borrowings from $254,425 in the prior year to $550,452 at 30 June 2013 has contributed to the overall decrease in net assets.

The financial statements have been prepared on the basis of going concern which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Subsequent to year end the Group raised $1,339,817 via the allotment of 13,398,167 fully paid ordinary shares at $0.10 per ordinary share to sophisticated and professional investors. The cash from this raising will be used to fund exploration to enable the Group to meet its current commitments and for working capital.

C. Business Strategies and Prospects for future financial years

During the next financial period and beyond, the Group intends to actively evaluate the prospect of its Cashmere Downs project and as results become available; these results will be then sent to shareholders. The Group will assess the continued exploration expenditure and further asset development, including seeking to secure a cornerstone investor to fund the development of the project.

There are specific risks associated with the activities of the Group and general risks which are largely beyond the control of the Group and the Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Group.

a) Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

b) Exploration risks

The business of iron ore exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors, such as:

- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

c) Environmental Risks

The operations and proposed activities of the Company are subject to the laws and regulations of Australia concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

d) Economic

General economic conditions, movements in interest and inflation rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

e) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income, the Company will require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

8. DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the financial year.

9. REVIEW OF OPERATIONS

Overview

The Group's Cashmere Downs project is located in the Mid-West region of Western Australia and since its inception in 2007, the Group has rapidly advanced evaluation and development of the significant iron ore resources at Cashmere Downs.

Cashmere has a current JORC Code compliant Resource of 1.059 Bt (Measured 202 Mt, Indicated 779 Mt and Inferred 78 Mt), of which 166Mt is at JORC Code Probable Reserve status (which has been identified from only 14% of the BIF ridges within Cashmere Down's project area). Refer to Table 1 below for a summary of Mineral Resources.

Independent consultants have identified conceptual exploration targets for the dominant BIF structure of the Site area of approximately 7.74 Bt to 8.6 Bt ranging from 32% to +36% Fe. However, the potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a Mineral Resource in respect of the targets and it is uncertain if further exploration will result in the determination of further Mineral Resources.

Exploration to date has resulted in Cashmere identifying a significant diversity of iron ore types. These include three different types of materials: Hematite, Detrital iron deposits (including BFO Hematite) and Magnetite, which through initial testing, indicates that each of these products can produce a marketable iron ore product.

The discovery of the Detrital iron deposits in addition to the BFO Hematite and Magnetite resources solidifies Cashmere as a multi-product, potential near term iron ore producer in Australia.

Independent resource consultants Mackay & Schnellmann and AM&A have completed independent JORC Code compliant Magnetite and Hematite resource estimates at Cashmere Downs. The resource estimates are summarised below.

TABLE 1: SUMMARY OF MINERAL RESOURCES

Proposed Development Stage	Resource Description	JORC Code Classification	Million Tonnes	Fe %	SiO_2 %	Al_2O_3 %
Stage One	**Detritals**	Indicated	42	37.8	33.8	6.6
	>30% Fe					
	Other BIFs	Indicated	3	43.7	22.9	6.4
	>30% Fe					
Stage Two	**BIF Hematite**	Measured	42	33.5	48.5	0.6
	>20% Fe	Indicated	137	32.9	49.3	0.6
		Inferred	13	31.3	51.2	0.8
Stage Three	**BIF Magnetite**	Measured	160	33.4	48.3	0.4
	>20% Fe	Indicated	597	32.5	49.4	0.5
		Inferred	65	31.0	51.1	0.5
TOTAL		**Measured and Indicated**	978	33.0	48.5	0.8
		Inferred	78	31.1	51.1	0.6
Proposed Development Stage	**Reserve Description**	**JORC Code Classification**	**Million Tonnes**	**Fe %**	**SiO_2 %**	**Al_2O_3 %**
Stage Two	**BIF Hematite**	Probable	166	33.8	48.1	0.6
	>20% Fe					
Note that Reserves are a sub set of the Resource above, NOT additional						

Current Year Activities

Exploration & Evaluation

The group's Cashmere Downs project has been further advanced over the last 12 months with the completion of two drilling programs aimed specifically at targeting DSO ore.

The first program was a follow up on Area Lump 1, which targeted the oxidised cap along a 1.2km strike length. The program was successful in defining a JORC indicated resource of 1.1 M/t of DSO ore grading 57.5%Fe.

The second program was at Area 8. The drilling followed a series of hematite banded iron units where rock chip sampling returned 58%-65% Fe and reconnaissance drilling 10m at 59% Fe. Whilst the final results are still to come in, initial indications are very promising with 8 holes giving intersections greater than 10m at 58% Fe. A full resource report on Area 8 is expected by the second half of December 2013.

A review of previous test work on the detrital resources was also carried out and the results of the review clearly shows that the Cashmere tenements contain a number of DID deposits some with JORC Resources totalling 42 million tonnes and other yet to be drilled. The Resources are mainly composed of iron enriched pisolite and banded iron detritus in a matrix of goethite, limonite and clay. Iron deposit morphologies consist of paleo drainage channels and terraces and more recent, consolidated alluvial fans along the flanks of the BIF ridges.

Dave's Find, Area 3, which is an example of a mass wasted pisolitic debris fan has given results of 56.57%Fe, 10.72% Si02 and 4.98% Al203 after crushing and dry screening at 2mm. The recovery was very high at 84.10%. Wet screening resulted in further upgrading to 58.14%Fe (59.56% CaFe) 9.15% Si02, 4.43% Al203. Recovery was still high at 71.44%. This gives the potential of 30 million tonnes of DSO product from the current JORC Detrital Resources at Cashmere. Blending of DSO is also a viable consideration in further upgrading the end product.

The company has now met with the two proponents for the development of the Multi User Iron Ore Facility at Esperance port. The RFP stage is due to be completed by the end of November 2013 and an announcement on the preferred proponent will be made by the end of March 2014.

Corporate

During the period the Group implemented various austerity measures and sought to raise funds from existing shareholders and sophisticated and professional investors. As part of these austerity measures, In February 2013 Mr Master resigned as a Non-Executive Director.

During the period, the Group sourced additional working capital from debt in the form of a loan facility from a founding shareholder which attracted interest at a rate of 10% per annum. Subsequent to year end the Group raised $1,339,817 via the allotment of 13,398,167 fully paid ordinary shares at $0.10 per ordinary share to sophisticated and professional investors. The cash from this raising will be used to fund a DSO drilling program, continued exploration of the Company's project and to enable the Group to meet its current commitments and for working capital.

The Company has entered into a MOU with a private steel mill in China (Investor). The identity of this Investor will be disclosed, if and when binding agreements are entered into with the Investor.
The MOU contemplates the formation of an unincorporated joint venture between Cashmere and the Investor, in the proportions 51% Cashmere and 49% Investor in respect of the DSO material emanating from Cashmere's tenement interests.

The key terms of the MOU are as follows:

- Within 45 days of the date of the MOU, Investor to complete due diligence and obtain taxation and structuring advice and binding MOU to be entered into (Binding MOU);
- Within 60 days of the date of the MOU formal joint venture documentation to be entered into.
- Within 90 days of the date of the MOU, Investor to provide requisite funds to fully fund mining and production of the DSO (the use of which is subject to satisfaction of the Condition Precedent (referred to below)). - in return for an entitlement to 49% of the off take of DSO at a discount to agreed market rates.
- Within 150 days of signing the Binding MOU, Cashmere is required to provide drilling results to show a minimum DSO JORC resource of at least 15 million tonnes (Condition Precedent);
- Investor will pay a "break fee" of $1 million to Cashmere which is non-refundable unless the Condition Precedent is not met. The $1 million shall be placed into a mutually agreed trust account prior to the commencement of the initial drilling program.

A DSO drilling program has commenced to increase the DSO resource and negotiations with the private steel mill in China continue, however the timeframes outlined above have been extended because senior executives from the steel mill were unable to travel to Australia and complete their due diligence within a 45 day period of the signing of the non-binding MOU.

Our revised expectation is that the steel mill should complete their due diligence (including a site visit) and obtain taxation and structuring advice by the end of November. We will also seek to ensure a binding MOU is entered into during this period and include within that MOU a revised timeframe.

10. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

11. FUTURE DEVELOPMENTS

The Board continues to pursue the exploration and evaluation of the Cashmere Downs project. Further information about likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

12. SUBSEQUENT EVENTS

On 18 July 2013, the Group informed shareholders that it had entered into a MOU with a private steel mill in China ('Investor'). The MOU contemplates the formation of an unincorporated joint venture between Cashmere and the Investor, in the proportions 51% Cashmere and 49% Investor in respect of the DSO material emanating from Cashmere's tenement interests.

The key terms of the MOU are as follows:

- Within 45 days of the date of the MOU, Investor to complete due diligence and obtain taxation and structuring advice and binding MOU to be entered into (Binding MOU);
- Within 60 days of the date of the MOU formal joint venture documentation to be entered into.
- Within 90 days of the date of the MOU, Investor to provide requisite funds to fully fund mining and production of the DSO (the use of which is subject to satisfaction of the Condition Precedent (referred to below)). - in return for an entitlement to 49% of the off take of DSO at a discount to agreed market rates.
- Within 150 days of signing the Binding MOU, Cashmere is required to provide drilling results to show a minimum DSO JORC resource of at least 15 million tonnes (Condition Precedent);
- Investor will pay a "break fee" of $1 million to Cashmere which is non-refundable unless the Condition Precedent is not met. The $1 million shall be placed into a mutually agreed trust account prior to the commencement of the initial drilling program.

In terms of seeking to increase our DSO resource, the Company has identified two areas (Areas 6 and 8) as the key targets for further DSO exploration.

On 16 September 2013, the Group informed shareholders that negotiations with the private steel mill in China continue, however the timeframes outlined above have been extended because senior executives from the steel mill were unable to travel to Australia and complete their due diligence within a 45 day period of the signing of the non-binding MOU.

The Group revised expectation is that the steel mill should complete their due diligence (including a site visit) and obtain taxation and structuring advice by the end of November. The Group will also seek to ensure a binding MOU is entered into during this period and include within that MOU a revised timeframe.

Subsequent to year end the Group raised $1,339,817 via the allotment of 13,398,167 fully paid ordinary shares at $0.10 per ordinary share to a group of sophisticated investors. The cash from this raising will be used for exploration, working capital and will enable the Group to meet its current commitments.

Subsequent to year end the Group issued 1,000,000 ordinary shares to Enigma Capital Solutions Pty Ltd, an associate of Director Mr Sampson, in satisfaction for services provided valued at $100,000.

Subsequent to year end the group issued 1,000,000 ordinary shares to Derek La Ferla in satisfaction for services provided valued at $100,000.

The Directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

13. ENVIRONMENTAL ISSUES

The operations and proposed activities of the Group are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Group's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Group to incur significant expenses and undertake significant investments in this respect which could have a material adverse effect on the Group's business, financial condition, and timing and results of operation.

14. PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

15. REMUNERATION REPORT

Details of Remuneration for the Year Ended 30 June 2013

The Board's policy for determining the nature and amount of remuneration for Directors and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions, was approved by the Board after seeking professional advice;
- All remuneration paid to Directors and Executives is valued at the cost to the Group and expensed. Options are valued using the binomial lattice methodology; and,
- The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The key management personnel of the Group consist entirely of the Directors. There were no other persons considered key management personnel as defined in AASB 124.

Details of the remuneration for each Director and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group up to 30 June 2013 are set out below:

	Short-term employee benefits				Post-employment benefits	Share-based payments			Percentage of remuneration consisting of options for the year
	Salary & fees $	Cash bonus $	Non-monetary $	Other $	Super-annuation $	Shares $	Options & rights $	Total $	(%)
Directors									
D. La Ferla [1]	-	-	-	-	-	-	-	-	-
D. Hendrie [2]	275,230	-	-	-	24,770	-	-	300,000	-
A.R. Master [3]	60,000	-	-	-	-	-	-	60,000	-
G. Sampson [4]	-	-	-	50,000	-	-	-	50,000	-
Sub-total	335,230	-	-	50,000	24,770	-	-	410,000	
Other Key Management									
None	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	
Total	335,230	-	-	50,000	24,770	-	-	410,000	

[1] During the 2013 financial year Mr La Ferla did not receive any short term employee benefits, however, subsequent to the end of the financial year the Group issued 1,000,000 ordinary shares in part satisfaction of accumulated consulting and directors fees payable since 10 January 2011.

[2] Mr Hendrie received $82,569 in salary & fees and $7,431 in superannuation during the financial year. The remainder of his entitlements, which include $192,661 in salary & fees and $17,339 in superannuation have been deferred and accrued.

[3] Mr Master received $60,000 in consulting fees during the financial year and resigned as Non-Executive Director on 28 February 2013.

[4] During the 2013 financial year Mr Sampson did not receive any short term employee benefits, however Enigma Capital Solutions Pty Ltd, an associate of Mr Sampson provided the Company with $50,000 in services which has been accrued as at 30 June 2013. Subsequent to the end of the financial year the Group issued 1,000,000 ordinary shares in satisfaction of accumulated consulting fees payable of $100,000 to Enigma Capital Solutions Pty Ltd. After the satisfaction of the $100,000 in consulting fees a balance of $75,000 remains unpaid.

Details of the remuneration for each Director and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group up to 30 June 2012 are set out below:

	Short-term employee benefits				Post-employment benefits	Share-based payments		Total	Percentage of remuneration consisting of options for the year
	Salary & fees	Cash bonus	Non-monetary	Other	Super-annuation	Shares	Options & rights		
	$	$	$	$	$	$	$	$	(%)
Directors									
D. La Ferla	-	-	-	-	-	-	-	-	-
D. Hendrie	275,229	-	-	-	24,771	-	-	300,000	-
A.R. Master	138,580	-	-	-	-	-	-	138,580	-
G. Sampson [1]	-	-	-	125,000	-	-	-	125,000	-
J. Wilder [2]	-	-	-	-	-	-	-	-	-
Sub-total	413,809	-	-	125,000	24,771	-	-	563,580	
Other Key Management									
A. Boys [3]	142,500	-	-	-	-	-	821,997	964,497	85%
Sub-total	142,500	-	-	-	-	-	821,997	964,497	
Total	556,309	-	-	125,000	24,771	-	821,997	1,528,077	

[1] During the 2012 financial year Mr Sampson did not receive any short term employee benefits, however Enigma Capital Solutions Pty Ltd, an associate of Mr Sampson provided the Company with $125,000 in services which has been accrued as at 30 June 2012. During the 2012 financial year the Group issued 464,285 ordinary shares in satisfaction of accumulated consulting fees payable of $325,000 to Enigma Capital Solutions Pty Ltd.

[2] Mr Wilder resigned on 29 March 2012.

[3] Fees were paid to Dubois Group Pty Ltd an associate of Mr Boys for accounting and secretarial services provided by Mr Boys and other employees of that company. Mr Boys resigned on 16 March 2012. In November 2011 shareholders approved the amendment of the expiry date of series B options from 30 November 2012 to 31 December 2014. In February 2012 the Company agreed to convert 3,750,000 Series B options held by Mr Alan Boys to Series D options. The value of the benefit granted was independently assessed of $681,248 for the extension of term of the options and $140,749 for the conversion for Series B to Series D options.

Group Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and Executives. Executive and Non-Executive Directors and other key management personnel may be granted options over ordinary shares or other forms of rights aligned to the increase in value of the Group's ordinary shares. The recipients of options or rights are responsible for growing the Group and increasing shareholder value. If they achieve this goal, the value of the options or rights that may be granted to them will also increase. Therefore the options and rights provide an incentive to the recipients to remain with the Group and to continue to work to enhance the Group's value.

Options Granted as Part of Remuneration for the Year Ended 30 June 2013

During the year no options or any other rights were granted to Directors or key management personnel and no Director related options lapsed or were forfeited.

Share-based compensation

The issue of options to Directors is to encourage the alignment of personal and shareholder returns. In addition, all Directors and Executives are encouraged to hold shares in the Company.

The Company has not paid bonuses to Directors or Executives to date.

Employment Contracts of Directors and Senior Executives

Mr Derek La Ferla – Non-Executive Chairman

Mr La Ferla was appointed under a contract with effect from 20 January 2011. Pursuant to his appointment, Mr La Ferla is entitled to Director's fees of $75,000 per annum. In addition, Mr La Ferla is to be paid a consulting fee of $10,000 per month for the period 10 January 2011 to 30 June 2011 for consulting fees in relation to the assistance with the Group achieving a "Transaction", such as listing on the ASX , Reverse takeover, Merger, sale of major assets or undertakings to a third party.

In addition, under the terms of the contract, Mr La Ferla was able to elect to receive consulting fees by way of shares or options in lieu of cash and only upon the occurrence of a Transaction. Mr La Ferla made this election 31 March 2011.

Pursuant to the terms of his agreement, where he elects to receive fees only upon the occurrence of a Transaction, the amount of fees forgone is to be multiplied by three ("the Multiplied Amount") and that as part of the Transaction he or his associates are to be issued:

(a) Such amount of options that equates to the multiplied amount, being options to have a strike price based on the Transaction value and based on independently valuation or,

(b) Such number of ordinary shares (ranking parri-passu with existing ordinary shares) as equate to the multiplied amount and based on the transaction value.

At the date of this report no Transaction has been concluded however subsequent to the period end, the Group varied Mr La Ferla's contract so that $100,000 of fees were payable immediately by way of issue of 1,000,000 ordinary shares and Mr La Ferla agreed to forgo $50,000 of accumulated fees payable (refer Note 27 for further information).

Mr David Hendrie – Managing Director

On 1 July 2011 Mr Hendrie was appointed under a personal contract as Managing Director, with an annual salary of $300,000 inclusive of all statutory entitlements.

From 1 July 2012 Mr Hendrie has agreed to defer 70% of his annual salary until the occurrence of a Transaction.

Mr Graeme Sampson - Non-Executive Director - (Appointed 25 January 2012)

Mr Sampson's associate Enigma Capital Solutions Pty Ltd ("Enigma") has been appointed under contract to provide corporate advisory services to the Group. The corporate advisory services are in connection with a cornerstone investor process, with a potential Initial Public Offering and general assistance to the Group. The fees payable under this contact are on an hourly as needs basis and either party may terminate the contract with seven days prior notice.

Pursuant to the contract, in the previous financial period end 30 June 2012, Enigma elected to receive payment for all services provided for the period 1 July 2010 to 30 September 2011 by way of ordinary securities in the Company at an issue price of $0.70 per share.

For services provided from 1 October 2011, fees are payable upon the occurrence of a Transaction. Enigma may at its discretion seek payment of its fees in cash or shares or a combination thereof, with shares to be at an issue price of $0.70 cents per share if issued by 31 March 2012 or thereafter at a price to be mutually agreed.

Subsequent to the period end Mr Sampson elected payment of $100,000 for part of the services provided from 1 October 2011 to 30 June 2013 by way of issue of ordinary securities in the Company at the price of the most recent capital raising, being 10 cents per share.

On 25 January 2012 Mr Sampson was appointed Non-Executive Director and was entitled to Director fees of $60,000 per annum, plus $5,000 per annum per committee appointment which will be payable quarterly in arrears, and is subject to an annual review by the Board. This fee will commence and accrue upon the occurrence of a Transaction.

Mr A. Ron Master – Non-Executive Director (Resigned 28 February 2013)

Mr Master was engaged to provide technical services and advice to the Company for which he received a consulting fee of $10,000 per month or as otherwise agreed by the Board. These fees are inclusive of all statutory entitlements. In July 2012 Mr Master agreed to reduce his fee to $5,000 per month.

With effect from 1 July 2010, Mr Master also received Director's fees of $2,500 per month in addition to his consulting fees. In March 2012 Mr Master's agreed to waive his Director fee of $2,500 per month.

This is the end of the Remuneration Report.

16. ORDINARY SHARES UNDER OPTION

At the date of this report, the unissued ordinary shares under option are as follows:

Series	Date of Expiry	Exercise Price	Number Under Option
B	31/12/2014	$0.20	5,625,000
C	17/09/2017	$0.20	4,875,000
D	31/12/2014	$0.20	82,026,750
Montagu	31/12/2014	$1.00	1,000,000
Montagu	31/12/2014	$1.25	1,000,000
Montagu	31/12/2014	$1.50	1,000,000
Montagu	31/12/2014	$1.75	1,000,000
			96,526,750

During the 2013 financial year 56,250 options were exercised (2012: 300,000).

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

17. ORDINARY SHARES ON ISSUE

At the end of the 2013 financial year the Company had 312,732,493 ordinary shares on issue (2012: 312,676,243).

18. NON-AUDIT SERVICES

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- all material non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to associates of the external auditors:

	30-Jun-13	30-Jun-12
	$	$
Amounts received or due and receivable by Grant Thornton for:		
(i) Secretarial services	**270**	2,110
(ii) Tax services	**5,800**	7,522
(iii) Investigating accountants report	**-**	39,370
Total remuneration	**6,070**	49,002

19. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group currently has a policy in place for Directors and officers insurance. During the financial year ended 30 June 2013, the Group paid a premium to insure the Directors and officers of the Group.

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 has been received and immediately follows the Directors' Report.

21. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Cashmere Iron Limited support and have adhered to the principles of sound corporate governance.

22. COMPETENT PERSONS

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Allen J. Maynard and Brian J. Varndell, both of whom are members of the Australasian Institute of Mining and Metallurgy and is employed by AM&A. Allen Maynard and Brian Varndell both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the JORC Code. Allen Maynard and Brian Varndell consent to the inclusion in this report this information in the form and context in which it appears.

This report is made in accordance with a resolution of the Directors.

Mr D Hendrie
Managing Director

Perth, Western Australia
31 October 2013

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Auditor's Independence Declaration
To the Directors of Cashmere Iron Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cashmere Iron Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 31 October 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2013

	Note	30-Jun-13	30-Jun-12
		$	$
Revenue from continuing operations	3	**6,779**	116,769
Equity-based payments	20	**-**	(821,997)
Personnel expenses		**(674,775)**	(895,102)
Corporate and administrative expenses	4	**(394,493)**	(2,266,465)
Depreciation expense		**(22,888)**	(23,973)
Finance costs		**(46,855)**	(6,431)
Exploration and evaluation written off	11	**(40,634)**	-
Infrastructure expenditure written off	12	**(2,732,456)**	-
Loss before income tax		**(3,905,322)**	(3,897,199)
Income tax benefit	6	**-**	578,981
Net loss for the year		**(3,905,322)**	(3,318,218)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		**-**	-
Total comprehensive loss for the year		**(3,905,322)**	(3,318,218)
		Cents	Cents
Basic loss per share	5	**(1.25)**	(1.06)

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	30-Jun-13	30-Jun-12
		$	$
Current Assets			
Cash & cash equivalents	7	**79,351**	504,058
Trade & other receivables	8	**1,444**	653,324
Prepayments & deposits	9	**100,244**	102,789
Total Current Assets		**181,039**	1,260,171
Non-Current Assets			
Plant & equipment	10	**27,402**	50,290
Exploration & evaluation expenditure	11	**14,854,463**	14,363,203
Other assets	12	**220,000**	2,952,456
Total Non-Current Assets		**15,101,865**	17,365,949
TOTAL ASSETS		**15,282,904**	18,626,120
Current Liabilities			
Trade & other payables	13	**793,571**	565,717
Provisions	14	**59,471**	32,496
Borrowings	15	**-**	254,425
Total Current Liabilities		**853,042**	852,638
Non-Current Liabilities			
Borrowings	15	**550,452**	**-**
Total Non-Current Liabilities		**550,452**	-
Total Liabilities		**1,403,494**	852,638
NET ASSETS		**13,879,410**	17,773,482
Equity			
Contributed equity	16	**21,757,008**	21,745,758
Reserves	17	**5,500,626**	6,236,904
Accumulated losses	17	**(13,378,224)**	(10,209,180)
TOTAL EQUITY		**13,879,410**	17,773,482

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2013

	Contributed equity	Reserves	Accumulated losses	Total equity
	$	$	$	$
At 1 July 2011	21,360,758	5,414,907	(6,890,962)	19,884,703
Comprehensive income:				
Loss for the year	-	-	(3,318,218)	(3,318,218)
Total comprehensive loss for the year	-	-	(3,318,218)	(3,318,218)
Transactions with owners in their capacity as owners:				
Issue of share capital	385,000	-	-	385,000
Capital raising costs	-	821,997	-	821,997
At 30 June 2012	21,745,758	6,236,904	(10,209,180)	17,773,482

	Contributed equity	Reserve	Accumulated losses	Total equity
	$	$	$	$
At 1 July 2012	**21,745,758**	**6,236,904**	**(10,209,180)**	**17,773,482**
Comprehensive income:				
Loss for the year	**-**	**-**	**(3,905,322)**	**(3,905,322)**
Total comprehensive loss for the year	**-**	**-**	**(3,905,322)**	**(3,905,322)**
Transactions with owners in their capacity as owners:				
Issue of share capital	**11,250**	**-**	**-**	**11,250**
Options expired during the year	**-**	**(736,278)**	**736,278**	**-**
At 30 June 2013	**21,757,008**	**5,500,626**	**(13,378,224)**	**13,879,410**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2013

	Note	30-Jun-13	30-Jun-12
		$	$
Cash flows used in operating activities			
Payment to suppliers, contrators & employees		**(1,118,929)**	(2,422,530)
Tax benefits received		**578,981**	-
Interest received		**6,779**	116,769
Net cash flows used in operating activities	7(b)	**(533,169)**	(2,305,761)
Cash flows used in investing activities			
Payment for exploration, evaluation and development		**(202,788)**	(3,147,905)
Payment for plant & equipment		**-**	(7,681)
Net cash flows used in investing activities		**(202,788)**	(3,155,586)
Cash flows from financing activities			
Proceeds from issue of fully paid ordinary shares		**11,250**	60,000
Proceeds from unissued ordinary shares		**50,000**	-
Proceeds from borrowings		**250,000**	250,000
Net cash flows provided by financing activities		**311,250**	310,000
Net increase/(decrease) in cash and cash equivalents		**(424,707)**	(5,151,347)
Cash and cash equivalents at the beginning of the year		**504,058**	5,655,405
Cash and cash equivalents at the end of the year	7(a)	**79,351**	504,058

The above statement should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial statements cover Cashmere Iron Limited and its controlled entities as a consolidated entity ("Group"). Cashmere Iron Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 31 October 2013.

The nature of the operations and principal activities of the Group are described in the Director's Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

The report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 24 to the financial statements. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(d) New accounting standards and interpretations not yet adopted

The AASB has issued new standards, amendments and interpretations to existing standards which have been published but are not yet effective, and have not been adopted early by the Company. The new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements are provided below. These standards are not expected to have a material impact on the Group.

AASB	DESCRIPTION	APPLICATION DATE OF STANDARD	APPLICATION DATE OF GROUP
AASB 9	Financial Instruments	1 January 2015	30 June 2016
AASB 10	Consolidated Financial Statements	1 January 2013	30 June 2014
AASB 11	Joint Arrangements	1 January 2013	30 June 2014
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
AASB 13	Fair Value Measurement	1 January 2013	30 June 2014
AASB 119	Employee Benefits	1 January 2013	30 June 2014
AASB 128	Investments in Associates and Joint Ventures (August 2011)	1 January 2013	30 June 2014
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013	30 June 2014
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	1 January 2015	30 June 2016
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	1 July 2013	30 June 2014
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 & Interpretations 5, 9, 16 & 17]	1 July 2013	30 June 2014
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	1 January 2013	30 June 2014
AASB 2011-10	Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14	1 January 2013	30 June 2014

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments are not likely to be reported.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group operates in a single business segment, in one geographical location. The operations of the Group consist of mineral exploration and development, within Australia.

(f) Revenue

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

Interest revenue
Revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised costs of a financial asset and allocating the interest revenue 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.

All revenue is stated net of Goods and Services Tax (“GST”).

(g) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

(h) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. The Group does not have any bank overdraft facilities.

(i) Trade and other receivables

Trade receivables are generally paid on 30 day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision would be recognised when legal notice has been sent and a reply not received within 30 days.

(j) Plant and equipment

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated on a diminishing value basis, excluding computer software which is calculated on a straight line basis, over their estimated useful lives as follows:

Plant & equipment	10% - 100%
Software	40%

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

(i) Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The Directors have determined that items of plant and equipment do not generate independent cash inflows and that the business of the Group is, in its entirety, a cash-generating unit. The recoverable amount of plant and equipment is thus determined to be its fair value less costs to sell.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Consolidated Statement of Comprehensive Income as an expense.

(ii) De-recognition and disposal
An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Comprehensive Income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable 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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(l) Trade and other payables

Trade payables and other payables are carried at the transaction price minus principal repayments. They 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. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

(n) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits, and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

(o) Income tax

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(p) Equity based payments

Where the Group provides benefits to its Directors and employees in the form of share-based payments, whereby Directors and employees render services in exchange for options to acquire shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value to the Group of the equity instruments at the date at which they were granted. The fair value is determined using the binomial lattice model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, on a straight-line basis, over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant Directors and employees become fully entitled to the options (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Consolidated Statement of Comprehensive Income reflects:

(i) the grant date fair value of the options;
(ii) the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at the reporting date; and
(iii) the extent to which the vesting period has expired.

The charge to the Consolidated Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has 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 diluted earnings per share.

(q) 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 are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than 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.

(r) Goods and services tax (GST)

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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are 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.

(s) Comparative information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Critical accounting estimates and judgments

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The area that may have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is:

Exploration and evaluation expenditure
The board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model. The assumptions used in the valuation of share based transactions are discussed in Note 20.

(u) Going concern

The financial statements have been prepared on the basis of going concern which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

During the year ended 30 June 2013 the Group recorded a net loss after tax of $3,905,322, a cash outflow from operating activities of $533,169 and had a working capital deficit (net current liabilities) of $672,003.

During the year ended 30 June 2013 the Group entered into a number of variation agreements with various related parties to defer settlement of certain liabilities until successful completion of the certain capital raising initiatives.

Subsequent to year end the Group raised $1,339,817 via the allotment of 13,398,167 fully paid ordinary shares at $0.10 per ordinary share to sophisticated and professional investors. The cash from this raising will be used to fund exploration to enable the Group to meet its current commitments and for working capital.

3. REVENUE FROM CONTINUING OPERATIONS

	30-Jun-13	30-Jun-12
	$	$
Other revenue		
Interest income	**6,779**	116,769
Total other revenue	**6,779**	116,769

4. EXPENSES

	30-Jun-13	30-Jun-12
	$	$
Corporate and administrative expenses		
Accounting and secretarial fees	**73,919**	202,032
Insurance	**17,811**	15,044
Legal fees	**1,212**	425,752
Occupancy expenses	**94,128**	235,587
Travelling expenses	**8,342**	149,292
Administration expenses	**45,218**	106,495
Consulting expenses	**71,540**	276,797
Initial public offering costs	**-**	515,284
Professional fees	**11,689**	263,418
Other	**70,634**	76,764
Total corporate and administrative expenses	**394,493**	2,266,465

5. EARNINGS PER SHARE

	30-Jun-13	30-Jun-12
Net loss attributable to the ordinary equity holders of the Company ($)	**(3,905,322)**	(3,318,218)
Weighted average number of ordinary shares for basic earnings per share (No.)	**312,686,722**	312,422,290
- Basic loss per share (cents)	**(1.25)**	(1.06)

Under AASB 133 "Earnings per share", potential ordinary shares such as options will only be treated as dilutive when their conversion to ordinary shares would increase the loss per share. Diluted loss per share has not been calculated as it does not increase the loss per share.

6. INCOME TAX

	30-Jun-13	30-Jun-12
	$	$
Numerical reconciliation of income tax expenses to prima facie tax payable		
Accounting loss before tax	**(3,905,322)**	(3,897,199)
Prima facie tax payable on loss before income tax at 30%	**(1,171,597)**	(1,169,160)
Add/(less) tax effect of:		
Permanent difference		
- Share based payments	**-**	246,599
- Research and development expenditure income tax rebate	**-**	(192,994)
- Other non-assessable / (non-deductable) expenditure	**-**	1,539
Deferred tax assets not brought to account at the reporting date as realisation of the benefit is not probable	**1,171,597**	535,034
Income tax expense / (benefit) attributable to operating loss	**-**	(578,982)
Deferred tax assets		
- Tax losses	**5,226,848**	4,573,412
- Temporary Differences - Profit & Loss	**871,700**	365,324
- Temporary Differences - Equity	**49,074**	77,326
Deferred Tax Liabilities		
- temporary differences - Profit and Loss	**(4,456,339)**	(4,498,817)
	1,691,283	517,245

The potential deferred tax asset, arising from tax losses and temporary differences (as disclosed above), has not been recognised as an asset because recovery of tax losses and temporary differences is not considered probable.

The potential deferred tax asset will only be obtained if:

- the relevant Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the relevant Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the relevant Group in realising the benefit from the deduction for the losses.

7. CASH & CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

	30-Jun-13	30-Jun-12
	$	$
Cash at bank and in hand	**79,351**	504,058
Short-term deposit	**-**	-
	79,351	504,058

Cash at bank is primarily interest bearing.

At the reporting date the Group had a loan with Almonte Diamond Pty Ltd (a Company beneficially owned by former Non-Executive Director John Wilder) for further detail refer Note 15.

(b) Reconciliation of net cash used in operating activities

	30-Jun-13	30-Jun-12
	$	$
Net loss after income tax	**(3,905,322)**	(3,318,218)
Adjustments for:		
Depreciation	**22,888**	23,973
Share-based payments	**-**	821,997
Shares issued for corporate advisory services	**-**	325,000
Accrued interest on borrowings	**46,027**	4,425
Exploration and evaluation written off	**40,634**	-
Infrastructure expenditure written off	**2,732,456**	-
Changes in assets and liabilities:		
(Increase) / decrease in trade & other receivables	**584,140**	380,712
(Increase) / decrease in prepayments & deposits	**2,135**	18,566
Increase / (decrease) in trade & other payables	**(83,102)**	(584,135)
Increase / (decrease) in provisions	**26,975**	21,919
Net cash flows used in operating activities	**(533,169)**	(2,305,761)

(c) Non-cash financing and investing activities

Shares issued to an associate of Enigma Capital Solutions Pty Ltd in satisfaction of amounts due for services provided to the Group	**-**	325,000

8. TRADE & OTHER RECEIVABLES

	30-Jun-13	30-Jun-12
	$	$
Sundry receivables	-	5,159
Tax receivables	1,444	69,184
Research and development tax concession	-	578,981
	1,444	653,324

Trade and other receivables are non-interest bearing and represent receivables with various maturities.

9. PREPAYMENTS & DEPOSITS

	30-Jun-13	30-Jun-12
	$	$
Prepayments - Capital raising costs	3,614	-
Prepayments - Other	95,630	101,789
Deposits	1,000	1,000
	100,244	102,789

10. PROPERTY, PLANT & EQUIPMENT

	Plant & Equipment	Office Equipment	Total
	$	$	$
Year ended 30 June 2013			
Opening net book amount	20,786	29,504	50,290
Additions	-	-	-
Depreciation charge	(11,019)	(11,869)	(22,888)
Closing net book amount	9,767	17,635	27,402
At 30 June 2013			
Cost or fair value	39,046	62,551	101,597
Accumulated depreciation	(29,279)	(44,916)	(74,195)
Net book amount	9,767	17,635	27,402

	Plant & Equipment	Office Equipment	Total
	$	$	$
Year ended 30 June 2012			
Opening net book amount	23,983	42,599	66,582
Additions	215	7,466	7,681
Depreciation charge	(3,412)	(20,561)	(23,973)
Closing net book amount	20,786	29,504	50,290
At 30 June 2012			
Cost or fair value	39,046	62,551	101,597
Accumulated depreciation	(18,260)	(33,047)	(51,307)
Net book amount	20,786	29,504	50,290

11. EXPLORATION & EVALUATION EXPENDITURE

	30-Jun-13	30-Jun-12
	$	$
Balance at the beginning of the year	**14,363,203**	13,174,363
Exploration and evaluation expenditure	**531,894**	1,188,840
Exploration and evaluation written off	**(40,634)**	-
Carrying amount at the end of the year	**14,854,463**	14,363,203

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercial viable mineral or other natural resource deposits and their successful development and commercial exploitation or sale of the respective exploration and evaluation mining areas of interest.

12. OTHER ASSETS

	30-Jun-13	30-Jun-12
	$	$
Option to purchase tenements	**200,000**	200,000
Option to purchase pastoral lease	**20,000**	20,000
Infrastructure expenditure at cost (port definitive feasibility study)	**2,732,456**	2,732,456
Infrastructure expenditure impaired (port definitive feasibility study)	**(2,732,456)**	-
	220,000	2,952,456

13. TRADE AND OTHER PAYABLES

	30-Jun-13	30-Jun-12
	$	$
Trade payables (i)	**40,071**	250,704
Accruals (ii)	**703,500**	315,013
Other payables (iii)	**50,000**	-
	793,571	565,717

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(ii) Accruals at reporting date include (amongst other things) Mr Hendrie' s deferred salary of $210,000 (deferred until the occurrence of a Transaction), prepayment of tenement rent payable to Mabrouk Minerals Pty Ltd of $300,000 and $175,000 outstanding to Enigma Capital for consulting fees.

(iii) Other payables at reporting date relate to the funds received for the issue of shares that were unissued at the reporting date. The shares were issued to applicants subsequent to the period end on the 29 August 2013.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

14. PROVISIONS

	30-Jun-13	30-Jun-12
	$	$
Employee entitlements		
Annual Leave	**59,471**	32,496
	59,471	32,496

15. BORROWINGS

CURRENT

	30-Jun-13	30-Jun-12
	$	$
Loan- Almonte Diamond Pty Ltd	**-**	254,425
	-	254,425

In the 2012 financial year, Almonte Diamond Pty Ltd provided the Company with a standby facility to ensure the Company met its short term funding needs. Almonte Diamond Pty Ltd is a Company beneficially owned by John Wilder, former Non-Executive Director. The original facility was unsecured for $250,000, with interest payable at 10% per annum. The loan was classified as current as the funds were to be repaid by 31 December 2012.

In the 2013 financial year, the repayment terms of the loan were amended and the loan was subsequently classified as non-current. For further detail refer to the table and notes below.

NON-CURRENT

	30-Jun-13	30-Jun-12
	$	$
Loan- Almonte Diamond Pty Ltd	**550,452**	-
	550,452	-

On 30 October 2012 the Company varied the terms of the loan facility agreement to increase the total facility to $500,000 (all of which has been drawn down at the date of this report) with all funds to be repaid by 31 August 2013.

On 31 August 2013 the Company signed a variation agreement to further amend the repayment date, all funds will now be repaid by the earlier of the Company completing a capital raising of a minimum of $2.5 million in one transaction (net of all associated costs of the capital raising) and 31 August 2015, unless the parties otherwise agree in writing.

Of the outstanding balance at 30 June 2013, $50,452 relates to outstanding interest (2012:$4,425).

16. CONTRIBUTED EQUITY

(a) Ordinary shares

	30-Jun-13		30-Jun-12	
	No.	**$**	No.	$
Fully paid ordinary shares	**312,732,493**	**21,757,008**	312,676,243	21,745,758

The Group has no authorised share capital and the fully paid ordinary shares have no par value.

(b) Movement in ordinary shares

		30-Jun-13		30-Jun-12	
		No.	**$**	**No.**	**$**
Balance at the beginning of the year		**312,676,243**	**21,745,758**	**311,911,958**	**21,360,758**
Shares issued at $0.20 per share	(i)	56,250	11,250	300,000	60,000
Shares issued at $0.70 per share	(ii)	-	-	464,285	325,000
Share raising costs		-	-	-	-
Balance at the end of the year		**312,732,493**	**21,757,008**	**312,676,243**	**21,745,758**

(i) Shares issued on conversion of Series D Options exercised at $0.20 per share.
(ii) Shares issued during the year at a deemed price of $0.70 per share in consideration for services provided by Enigma Capital Pty Ltd (refer Note 18(e)).

(c) Options over Ordinary Shares

As at 30 June 2013, the Group had the following outstanding options over Ordinary Shares:

	Number	Exercise Price	Expiry Date	
Series A	-	$0.20	30/11/2012	(i)
Series B	5,625,000	$0.20	31/12/2014	(ii)
Series C	4,875,000	$0.20	17/09/2017	(iii)
Series D	82,026,750	$0.20	31/12/2014	(iv)
Montagu Series	1,000,000	$1.00	31/12/2014	(v)
Montagu Series	1,000,000	$1.25	31/12/2014	(v)
Montagu Series	1,000,000	$1.50	31/12/2014	(v)
Montagu Series	1,000,000	$1.75	31/12/2014	(v)
	96,526,750			

(i) Series A options

On 30 November 2011 the Annual General Meeting was held and a resolution was approved by shareholders to amend the expiry date from 30 November 2012 to 31 December 2014 subject to individual option holders consent. All holders of these options have consented to the variation and have been re-issued certificates, denoted as series D options.

(ii) Series B options

Exercise price of $0.20 with an expiry date of 31 December 2014.

The series B options can only be exercised by the holder upon the Company share price (if listed) on the ASX reaching the following thresholds:

Price Threshold	Amount
$1.40 per ordinary share	26.67 % of options held by the holder
$1.50 per ordinary share	33.33% of the options held by the holder
$1.75 per ordinary share	40.0% of the options held by the holder

Or the options may be exercised in any event where the Company is subject to takeover, merger, scheme of arrangement or sale of its main undertaking or other corporate transaction.

(iii) Series C options

Exercise price of $0.20 with an expiry date of 30 November 2017.

(iv) Series D options

Exercise price of $0.20 with an expiry date of 31 December 2014.

(v) Montagu Series options

These options will only vest or be exercisable on the occurrence of the first of the following events:

- the Group successfully completing an IPO or receiving conditional approval to list on the ASX;
- the Group selling of transferring the Cashmere iron ore project; or,
- a change of ownership occurring in at least of 50% of the shares on issue in the Group as at grant date.

Exercise Price	Amount	Expiry
$1.00	25%	31 December 2014
$1.25	25%	31 December 2014
$1.50	25%	31 December 2014
$1.75	25%	31 December 2014

(d) Movements in Options over Ordinary Shares

30-Jun-13	Balance at beginning of year	Granted	Exercised	Other [1]	Balance at end of year	Weighted average exercise price
Series A	**-**	**-**	**-**	**-**	**-**	**$0.20**
Series B	**11,250,000**	**-**	**-**	**(5,625,000)**	**5,625,000**	**$0.20**
Series C	**4,875,000**	**-**	**-**	**-**	**4,875,000**	**$0.20**
Series D	**82,083,000**	**-**	**(56,250)**	**-**	**82,026,750**	**$0.20**
Montagu Series	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**$1.00**
Montagu Series	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**$1.25**
Montagu Series	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**$1.50**
Montagu Series	**1,000,000**	**-**	**-**	**-**	**1,000,000**	**$1.75**
	102,208,000	**-**	**(56,250)**	**(5,625,000)**	**96,526,750**	

[1] 5,625,000 Series B options expired on 30 November 2012.

30-Jun-12	Balance at beginning of year	Granted	Exercised	Other [1]	Balance at end of year	Weighted average exercise price
Series A	78,633,000	-	(300,000)	(78,333,000)	-	$0.20
Series B	15,000,000	-	-	(3,750,000)	11,250,000	$0.20
Series C	4,875,000	-	-	-	4,875,000	$0.20
Series D	-	-	-	82,083,000	82,083,000	$0.20
Montagu Series	1,000,000	-	-	-	1,000,000	$1.00
Montagu Series	1,000,000	-	-	-	1,000,000	$1.25
Montagu Series	1,000,000	-	-	-	1,000,000	$1.50
Montagu Series	1,000,000	-	-	-	1,000,000	$1.75
	102,508,000	-	(300,000)	-	102,208,000	

[1] The expiry date of Series A options were extended at the AGM and as a result option holders were re-issued Series D options.

(e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2013 and no dividends are expected to be paid in 2014.

The Group is not subject to any externally imposed capital requirements.

17. RESERVES & ACCUMULATED LOSSES

(a) Reserves

	30-Jun-13	30-Jun-12
	$	$
Share-based Payment Reserves		
Balance at the beginning of the year	**6,236,904**	5,414,907
Equity based payments - expense	**-**	821,997
Transfer to retained earnings (options expired)	**(736,278)**	-
Balance at the end of the year	**5,500,626**	6,236,904

Nature and purpose of reserves
The share-based payments reserve records the value of share options issued by the Group.

(b) Accumulated losses

	30-Jun-13	30-Jun-12
	$	$
Accumulated Losses		
Balance at the beginning of the year	**10,209,180**	6,890,962
Loss for the year	**3,905,322**	3,318,218
Transfer from share-based payments reserve	**(736,278)**	-
Balance at the end of the year	**13,378,224**	10,209,180

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors and Specified Executives

The names and positions held by Key Management Personnel ('KMP') in office at any time during the year are:

Directors	Position	Appointment	Resignation
Mr Derek La Ferla	Non-Executive Chairman	20/01/2011	-
Mr David Hendrie	Managing Director	26/07/2007	-
Mr Graeme Sampson	Non-Executive Director	25/01/2012	-
Mr A. Ron Master	Non-Executive Director	29/03/2012	28/02/2013

All of the above persons were also key management persons during the year ended 30 June 2013 unless otherwise noted.

(b) Key management personnel remuneration

	30-Jun-13	30-Jun-12
	$	$
Compensation by category		
Short-term employee benefits	**385,230**	556,309
Post employment benefits	**24,770**	24,771
Equity-based payments (refer note 20)	**-**	1,017,497
	410,000	1,598,577

The Group has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the remuneration report in the Directors Report.

(c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options can be found in the remuneration report. The terms and conditions of the options are set out at note 16(c).

The value attributable to the terms of options issued as remuneration have been independently valued using the binomial lattice methodology. The underlying assumptions applied in such valuations have been disclosed in the notes to the accounts of the year of grant.

(ii) Option holdings

The number of Series D options over ordinary shares in the Group held during the year by each Director of the Group and other key management personnel, including their personally related parties, are set out below:

30-Jun-13	**Opening Balance**	**Received as Remuneration**	**Exercised**	**Net Change Other**	**Closing Balance**	**Vested and exercisable**
Directors						
D. La Ferla	-	-	-	-	-	-
D. Hendrie	**9,474,750**	-	-	-	**9,474,750**	**9,474,750**
G. Sampson	-	-	-	-	-	-
A.R. Master [1]	**9,064,750**	-	-	-	**9,064,750**	**9,064,750**
Total	**18,539,500**	-	-	-	**18,539,500**	**18,539,500**
Key Management Personnel						
None	-	-	-	-	-	-
Total	-	-	-	-	-	-

30-Jun-12	Opening Balance	Received as Remuneration	Exercised	Net Change Other	Closing Balance	Vested and exercisable
Directors						
D. La Ferla	-	-	-	-	-	-
D. Hendrie	9,599,750	-	-	(125,000)	9,474,750	9,474,750
A.R. Master	9,064,750	-	-	-	9,064,750	9,064,750
J. Wilder [1]	14,019,750	-	-	-	14,019,750	14,019,750
G. Sampson	-	-	-	-	-	-
Total	32,684,250	-	-	(125,000)	32,559,250	32,559,250
Key Management Personnel						
A. Boys [1]	3,750,000	-	(125,000)	125,000	3,750,000	3,750,000
Total	3,750,000	-	(125,000)	125,000	3,750,000	3,750,000

[1] Held at date of resignation.

(iii) Shareholdings

Ordinary Shares

The numbers of ordinary shares in the Group held during the financial year by each Director and other key management personnel of the Group including their personally related parties are set out below:

30-Jun-13	**Opening Balance**	**Acquired during the year**	**Received During Year on Exercise of Options**	**Other changes**	**Closing Balance**
Directors					
D. La Ferla	**76,923**	**-**	**-**	**-**	**76,923**
D. Hendrie [1]	**49,479,000**	**-**	**-**	**-**	**49,479,000**
G. Sampson	**962,364**	**-**	**-**	**-**	**962,364**
A.R. Master [1, 3]	**47,059,000**	**-**	**-**	**-**	**47,059,000**
Total	**97,577,287**	**-**	**-**	**-**	**97,577,287**
Key Management Personnel					
None	-	-	-	-	-
Total	-	-	-	-	-

30-Jun-12	Opening Balance	Acquired during the year	Received During Year on Exercise of Options	Other changes	Closing Balance
Directors					
D. La Ferla	76,923	-	-	-	76,923
D. Hendrie [1]	49,479,000	-	-	-	49,479,000
A.R. Master [1]	47,059,000	-	-	-	47,059,000
G. Sampson	498,079	464,285	-	-	962,364
J. Wilder [2]	64,329,000	-	-	-	64,329,000
Total	161,442,002	464,285	-	-	161,906,287
Key Management Personnel					
A. Boys [3]	100,000	125,000	-	-	225,000
Total	100,000	125,000	-	-	225,000

[1] Mr Hendrie and Mr Master's shareholdings includes their relevant interest in Mabrouk Minerals Pty Ltd which holds 3,000,000 Shares.

[2] Held at date of resignation, being 29 March 2012. Mr Wilder's shareholding includes his relevant interest in Mabrouk Minerals Pty Ltd which holds 3,000,000 Shares.

[3] Held at date of resignation.

(d) Payables to key management personnel

	30-Jun-13	30-Jun-12
	$	$
Amounts payable to Directors, and Director related entities at the end of the financial year, included in current liabilities	**690,000**	236,381
Amounts payable to key management personnel and key management personnel related entities at the end of the financial year, included in current liabilities	**-**	64,250
Total	**690,000**	300,631

(e) Other transactions with key management personnel

Mr Graeme Sampson - Enigma Capital Solutions Pty Ltd:
In the 2013 financial year the Group accrued $50,000 for services provided to Enigma Capital Solutions Pty Ltd. The total accrual outstanding to Enigma at 30 June 2013 was $175,000, which includes $125,000 carried over from the 2012 financial year. These amounts are included in Note 18(d) above.

In the 2012 financial year the Group issued Enigma Capital Solutions Pty Ltd 464,285 ordinary shares at an implied value of $325,000. The shares issued were in payment of all costs associated with the provision of the services of Mr Sampson and other employees of Enigma Capital Solutions for the period 1 July 2010 to 30 September 2011.

Subsequent to the period end the Group issued Enigma Capital Solutions Pty Ltd 1,000,000 ordinary shares at an implied value of $100,000. The shares issued were in part payment of all costs associated with the provision of the services of Mr Sampson and other employees of Enigma Capital Solutions for the period 1 July 2012 to 30 June 2013. After the allotment of shares the balance remaining accrued to Enigma Capital Solutions is $75,000.

Mr Alan Boys - Dubois Group Pty Ltd:
In the 2012 financial year the Group paid Dubois Group Pty Ltd $142,500 for accounting and secretarial services provided by Mr Boys and other employees of that company. No such fees were incurred in the 2013 financial year.

Mr John Wilder - Red Dale Holdings Pty Ltd trading as Westernex Supplies:
During the course of the year the Group purchased mining supplies from Red Dale Holdings Pty Ltd trading as Westernex Supplies an associate of former Director, Mr Wilder to the value of $27 (2012: $2,205). All purchases were at normal competitive commercial rates and terms.

Mr Wilder, Mr Hendrie and Mr Master - Mabrouk Minerals Pty Ltd:
In the 2013 financial year the Group accrued $300,000 being tenement rent payable to Mabrouk Minerals Pty Ltd an associate of former Directors Mr Wilder and Mr Master, and current Director, Mr Hendrie in accordance with the Sublease Agreement as detailed in Note 19 below. In the 2012 financial year the Group paid $300,000 to Mabrouk Minerals Pty Ltd, in accordance with the Sublease Agreement.

In the 2012 financial year, Mabrouk Minerals Pty Ltd incurred legal fees of $36,261 which were reimbursed by the Group. No such fees were incurred in the 2013 financial year.

Mr Derek La Ferla - Norton Rose Fulbright Australia:
During the year the Group paid Norton Rose Fulbright Australia, an associate of Mr La Ferla, $1,012 (2012: $524,356) for the provision of legal services. The fees for service were are normal competitive commercial rates and terms. Mr La Ferla is a Partner at Norton Rose Fulbright Australia. Mr La Ferla is not involved in the provision of any legal advice in relation to Cashmere however he does receive a distribution of profits of Norton Rose Fulbright Australia.

19. RELATED PARTY DISCLOSURES

Mr Master, Mr Hendrie, Mr Wilder: Mabrouk Minerals related party transactions
Mabrouk Minerals is a related party of Cashmere by virtue of the fact that David Hendrie (current director of Cashmere) and Andrew (Ron) Master and John Wilder (former directors of Cashmere) together have a controlling interest in Mabrouk Minerals.

Cashmere has entered into the following related party agreements with Mabrouk Minerals with regards to the exploration for and mining of iron ore on the all of the Mining Leases and the Exploration Licences held by Mabrouk Minerals (being E57/549-I, E57/553-I, M57/544-I, M57/545-I and M57/546-I):

(a) Option Agreement;
(b) Sublease;
(c) Royalty Deed;
(d) Exploration Mineral Rights Deed;
(e) Sale Agreement;
(f) Mining Mineral Rights Deed (MMRD); and
(e) Co-Operation and Co-Ordination Deed.

Pursuant to the Sublease, the Company sub-leases the Mining Leases from Mabrouk Minerals under which its rights to iron ore on those Tenements arise. The Company's right to explore for and mine iron ore in respect of the Exploration Licences arises under the Exploration Mineral Rights Deed.

Upon Cashmere listing on ASX, the MMRD will become operational and the Sublease and Option Agreement will immediately terminate. The MMRD will govern the operations of the parties on the Mining Leases and provides priority to the Company's operations over Mabrouk Minerals' operations.

The Option Agreement provides Cashmere with an option to purchase the Mining Leases and Exploration Licences should the ASX listing of Cashmere not occur, and will terminate upon settlement under the Sale Agreement taking place (Purchase Option). The Purchase Option may only be exercised whilst the Sublease remains in effect and there are no breaches of the Sublease or the Option Agreement. To exercise the Option, Cashmere must deliver to Mabrouk Minerals a written notice together with a deposit in the amount of $1,000,000 (Deposit) during the Option Period (Exercise Date). On the Exercise Date, both parties must enter into the Mining Mineral Rights Deed to govern the exercise of their respective rights in relation to the Mining Leases. On and from the Exercise Date, the Royalty Deed shall continue to operate in full force and effect.

The Royalty Deed provides for the payment by Cashmere of royalties to Mabrouk Minerals. The Co-operation Deed governs the sharing of infrastructure on the Tenements by Cashmere and Mabrouk Minerals. The Co-operation Deed governs the sharing of infrastructure on Exploration Licences E57-549-I and E57/553-I and the Mining Leases between Cashmere and Mabrouk Minerals. The Co-operation Deed commences on the date of its execution and continues for the life of the Sublease, Mining Mineral Rights Deed and Exploration Mineral Rights Deed.

Financial benefit of the Mabrouk arrangements

The financial benefit being provided as a result of these agreements are as follows:

Option Agreement: Cashmere has previously provided Mabrouk Minerals an option fee in the amount of $200,000 for the right to purchase Mabrouk Minerals' legal right, title and interest in the Mining Leases (subject to Mabrouk Minerals retaining the rights to minerals other than iron ore on the Mining Leases). Cashmere will be required to pay Mabrouk Minerals $520,000 in order to exercise the Purchase Option;

Sublease: Cashmere agrees to pay Mabrouk Minerals annual rent in the amount of $300,000, with the first three years having already been paid in advance by way of the issue of 3,000,000 Shares and 750,000 Series D Options and a cash payment of $300,000. Following the completion date of the Sale Agreement (Sale Agreement Completion Date), the Rent shall be reduced to $268,657.20; and on and from the Sale Agreement Completion Date, upon a Mabrouk Exploration Licence being relinquished or converted into a mining lease on behalf of Cashmere, the rent shall be reduced by $1,492.50 per km2.

Royalty Deed: Cashmere will be liable to pay royalties to Mabrouk Minerals of 3% of the FOB value of iron ore sales and 3% of the proceeds of sale recovered from non-ferrous minerals from the tenements the subject of the Sublease

Sale Agreement: Cashmere agrees to pay Mabrouk Minerals $520,000 in consideration for the acquisition Mabrouk Minerals' legal right, title and interest in the Mining Leases (subject to Mabrouk Minerals retaining the rights to minerals other than iron ore on the Mining Leases)or if ASX requires, issue to Mabrouk Minerals that number of Shares at a deemed issue price of $0.75 per Share, equivalent to the value of $520,000, less any Rent advanced to Mabrouk Minerals for the period after completion.

Furthermore, the parties will also receive a financial benefit as a result of the split commodity arrangements in place pursuant to the Mining Mineral Rights Deed (in relation to the Mining Leases) and the Exploration Mineral Rights Deed (in relation to Exploration Licences E57/549-I and E57/553-I) whereby Cashmere will have certain rights in relation to the exploration and mining of iron ore.

The parties have entered into deeds of variation to these agreements (as well as entering into additional agreements) in order to better define their rights and obligations as a result of Cashmere seeking to list on the ASX. However, these variations (and additional agreements) do not materially alter the terms of the original agreements or the financial benefits being provided.

Mr Wilder: Almonte Diamond loan facility

Cashmere has an unsecured loan facility from Almonte Diamond, a company controlled by Mr John Wilder, a substantial Shareholder and former Director of Cashmere. The purpose of the loan is to provide Cashmere with working capital until it has sufficient financial capacity to repay the loan. The terms of the loan facility agreement are:

- Cashmere may make multiple drawdowns from the facility up to a maximum of $500,000 (as per the variation agreement dated 30 October 2012);
- the minimum individual draw down on the facility is $10,000;
- interest accrues monthly at 10% per annum; and
- Cashmere agrees to repay Mr Wilder the facility by the earlier of the Company completing a capital raising of a minimum of $2.5 million in one transaction (net of all associated costs of the capital raising) and 31 August 2015, unless the parties otherwise agree in writing (as per the variation agreement dated 30 October 2012).

The directors consider this loan facility agreement to be on arm's length terms.

At 30 June 2013, Cashmere had drawn down $500,000 on the facility and accrued $50,452 in interest (refer Note 15).

20. EQUITY BASED PAYMENTS

Financial year ended 30 June 2013 equity based payments

No equity based payments were issued during the 2013 financial year.

Financial year ended 30 June 2012 equity based payments

In the 2012 financial year the Group issued 464,285 ordinary shares in satisfaction of consulting fees payable of $325,000 (refer note 16(b)).

On 30 November 2011 the Annual General Meeting was held and a resolution was approved by shareholders to amend the expiry date of several options:

- The expiry date of Series A Options were amended from 30 November 2012 to 31 December 2014. Holders of these options have been re-issued certificates, denoted as series D options.

- The expiry date for Series B options were amended from 30 November 2012 to 31 December 2014.

- The expiry date of Montagu Series options were amended from 12 September 2012 to 31 December 2014.

Options subject to the extension are held by the current Director Mr Hendrie and by former Directors Messrs Master, Wilder, Starkey, Chapman and Doherty. Approval for extension was approved for Wilder, Hendrie, Master and Chapman at the AGM on 30 November 2011. Options held by Wilder, Hendrie, Master and Starkey did not arise from a payment in connection with employment or services provided and as such are not required to be treated as an expense for the purpose of AASB 2.

Doherty and Chapman had been granted both Series A and B options in connection with their employment, as they were no longer employed or providing services and as such no expense was required to be booked pursuant to AASB 2.

The only party for whom a benefit is required to be booked is Alan Boys.

The value of the variation of the terms of the 3,750,000 Series B options relating to Alan Boys was independently valued by BDO Corporate Finance (WA) Pty Ltd using the binomial lattice methodology. Key assumptions in applying this methodology are summarised below:

Item	Tranche C	Tranche D	Tranche E	Total
Underlying security spot price	$0.70	$0.70	$0.70	
Exercise price	$0.20	$0.20	$0.20	
Barrier share price	$1.40	$1.50	$1.75	
Issue date	3/11/2011	3/11/2011	3/11/2011	
Expiry date	31/12/2014	31/12/2014	31/12/2014	
Life of options	$1.08	$1.08	$1.08	
Volatility	90%	90%	90%	
Risk free rate	3.64%	3.64%	3.64%	
Number of options	1,000,125	1,249,875	1,500,000	
Extension of Options				
Incremental increase on extension	$0.159	$0.173	$0.204	
Incremental value on extension	$159,020	$216,228	$306,000	$681,248
Excluded Barrier				
Incremental increase on exclusion of barrier	$0.026	$0.033	$0.049	
Incremental value on exclusion of barrier	$26,003	$41,246	$73,500	$140,749
				$821,997

Employee Incentive Option Plan

On 16 March 2012, the Board adopted an employee incentive option plan (Plan) to allow full or part time employee or a Director of the Company or an associated body corporate (Eligible Participants) to be granted incentive options (Incentive Options) to acquire Shares in the Company. To date no employee options or performance rights have been issued under the Plan.

The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. The principle terms of the Plan are summarised below.

1. Consideration and conversion: Each Incentive Option issued under the Plan will be issued for nil cash consideration and will be exercisable into one Share in the Company.
2. Exercise Price and Expiry Date: The exercise price (Exercise Price) and expiry date (Expiry Date) for Incentive Options will be determined by the Board.
3. Exercise Restrictions: The Incentive Options may be subject to conditions on exercise as may be fixed by the directors (Exercise Condition).
4. Lapsing of Incentive Options: An unexercised Incentive Option will lapse:
   a. on its Expiry Date;
   b. if any Exercise Condition is unable to be met; and
   c. subject to certain exceptions, on the eligible participant ceasing employment with the Company.
5. Share Restriction Period: Shares issued on the exercise of Incentive Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired.
6. Disposal of Options: Incentive Options will not be transferable and will not be quoted on the ASX, unless the Board in its absolute discretion approves.
7. Trigger Events: The Company may permit Incentive Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.

8. Participation in Rights Issues and Bonus Issues:
   a. There are no participating rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.
   b. If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option Exercise Price shall be reduced according to the formula specified in the Listing Rules.
   c. In the event of a bonus issue of Shares being made pro-rata to Shareholders, (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.
9. Reorganisation: The terms upon which Incentive Options will be granted will not prevent the Incentive Options being re-organised as required by the Listing Rules on the re-organisation of the capital of the Company.
10. Limitations on Offers: The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of Incentive Options offered under an offer when aggregated with:
    a. the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the Plan or any other employee share scheme of the Company were to be exercised or accepted; and
    b. the number of Shares issued during the previous 5 years from the exercise of Incentive Options issued under the Plan (or any other employee share plan of the Company extended only to Eligible Participants), does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 03/184.

Performance Rights Plan

The board has also adopted a performance rights plan (PRP). The full terms of the PRP may be inspected at the registered office of the Company during normal business hours. To date no performance rights have been issued under the PRP.

A summary of the terms of the PRP is set out below.

1. Subject to any necessary approvals from the Company's shareholders or as required by law or by the Listing Rules, the Board may at its absolute discretion grant performance rights (Performance Right) to any full time or part time employee or director of a group company who is declared by the Board to be eligible to receive grants of Performance Rights under the PRP (Eligible Participant).
2. Each Performance Right will, subject to vesting and payment of the exercise price (if any), entitle the holder on exercise to one fully paid ordinary Share before the expiry date.
3. Performance Rights are only transferrable with the prior written consent of the Board of the Company upon death, total and permanent disability, severe financial hardship, retirement, redundancy or bankruptcy.
4. Unless the Board decides otherwise, any vested Performance Right that has not been exercised within 6 months of becoming vested shall automatically lapse.
5. Where a Participant ceases to be an Eligible Participant, any unvested Performance Rights lapse (subject to certain good leaver exceptions).

6. Any Share acquired by an Eligible Participant on the exercise of a Performance Right must not be disposed of, or dealt with in any way, by that Eligible Participant until the earlier of:
   a. when the Eligible Participant to whom the Offer was originally made ceases to be an Eligible Participant;
   b. the Board approving that the restriction on disposal be released where the Eligible Participant to whom an offer was originally made dies or suffers Total and Permanent Disability, Severe Financial Hardship, Redundancy or Retirement;
   c. a change in control in the Company occurs, or the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company; and
   d. the 7 year anniversary of the date of grant of the Performance Rights.
7. In the event of a change in control of the Company or the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company, the Board may, in its absolute discretion, determine that all or a specified number of a Participant's unvested Performance Rights vest. Any Performance Right which the Board determines does not vest will automatically lapse, unless the Board determines otherwise.
8. There are no participating rights or entitlements inherent in the Performance Rights and Eligible Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
9. A Performance Right does not confer the right to a change in Exercise Price or a change in the number of underlying Shares over which the Performance Right can be exercised.
10. If, at any time, the issued capital of the Company is reconstructed, all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

21. AUDITORS' REMUNERATION

	30-Jun-13	30-Jun-12
	$	$
Amounts received or due and receivable by Grant Thornton for:		
Audit of the financial report	**13,500**	25,264
Secretarial services	**270**	2,110
Taxation services	**5,800**	7,522
Investigating accountants report	**-**	39,370
	19,570	74,266

22. COMMITMENTS

There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2013 other than:

	30-Jun-13	30-Jun-12
TENEMENT COMMITMENTS	**$**	$
Within one year	**604,919**	591,571
After one year but not more than five years	**398,931**	412,279
After more than five years	**-**	-
Total minimum commitment	**1,003,850**	1,003,850

23. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments consist of deposits with banks, receivables and payables.

At the reporting date, the Group had the following financial assets and liabilities.

	30-Jun-13	30-Jun-12
	$	$
Financial assets		
Cash & cash equivalents	**79,351**	504,058
Trade & other receivables	**1,444**	653,324
	80,795	1,157,382
Financial liabilities		
Trade & other payables	**793,571**	565,717
Borrowings	**550,452**	254,425
	1,344,023	820,142
Net exposure	**(1,263,228)**	337,240

Financial Risk Management
The main risks arising from the Company's financial instruments are market risk (including interest rate risk and commodity price risk), credit risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. Primary responsibility for identification and control of financial risks rests with the Board of Directors.

(a) Market Risk

Interest Rate Risk
The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk.

All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk. Any fluctuations in interest rates would not be material to the Group's financial position and performance.

	Weighted Average Interest Rate	**30-Jun-13 $**	Weighted Average Interest Rate	30-Jun-12 $
Financial assets				
Cash & cash equivalents	3.5%	**79,351**	3.5%	504,058

Commodity Price Risk
The Group is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Group does not hedge its exposures.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financing loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Company's maximum exposure to credit risk. All receivables are due within 30 days and none are past due.

(i) Cash

The Company's primary banker is the Commonwealth Bank. The Board considers the use of this financial institution, which has a short term rating of AA from Standards and Poors to be sufficient in the management of credit risk with regards to these funds.

(ii) Trade & other receivables

While the Company has policies in place to ensure that transactions with third parties have an appropriate credit history, the management of current and potential credit risk exposures is limited as far as is considered commercially appropriate. Up to the date of this report, the Board has placed no requirement for collateral on existing debtors.

	30-Jun-13	30-Jun-12
	$	$
Standard & Poors rating		
AA	**79,351**	504,058

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts. The Group reduces this risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

30-Jun-13	**<6 months**	**>6 - 12 months**	**> 12 months**	**Total Contractual Cash Flows**	**Carrying Amount**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash & cash equivalents	**79,351**	**-**	**-**	**79,351**	**79,351**
Trade & other receivables	**1,444**	**-**	**-**	**1,444**	**1,444**
	80,795	**-**	**-**	**80,795**	**80,795**
Financial liabilities					
Trade & other payables	**793,571**	**-**	**-**	**793,571**	**793,571**
Borrowings	**-**	**-**	**550,452**	**550,452**	**550,452**
	793,571	**-**	**550,452**	**1,344,023**	**1,344,023**
Net exposure	**(712,776)**	**-**	**(550,452)**	**(1,263,228)**	**(1,263,228)**

30-Jun-12	<6 months	>6 - 12 months	> 12 months	Total Contractual Cash Flows	Carrying Amount
	$	$	$	$	$
Financial assets					
Cash & cash equivalents	504,058	-	-	504,058	504,058
Trade & other receivables	653,325	-	-	653,325	653,325
	1,157,383	-	-	1,157,383	1,157,383
Financial liabilities					
Trade & other payables	565,717	-	-	565,717	565,717
Borrowings	-	-	254,425	254,425	254,425
	565,717	-	254,425	820,142	820,142
Net exposure	591,666	-	(254,425)	337,241	337,241

Net fair values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Group has no financial assets where carrying amount exceeds net fair values at the reporting date.

24. SEGMENT INFORMATION

The Group operates predominantly in one business segment and in one geographical location. The operations of the Group consist of mineral exploration, within Australia.

25. SUBSIDIARIES

	Country of Incorporation	Ownership Interest 30-Jun-13	Ownership Interest 30-Jun-12
Parent Entity:			
Cashmere Iron Limited	Australia		
Subsidiaries:			
Australian Infrastructure Group Limited	Australia	100%	100%

26. SUBSEQUENT EVENTS

On 18 July 2013, the Group informed shareholders that it had entered into a MOU with a private steel mill in China ('Investor'). The MOU contemplates the formation of an unincorporated joint venture between Cashmere and the Investor, in the proportions 51% Cashmere and 49% Investor in respect of the DSO material emanating from Cashmere's tenement interests.

The key terms of the MOU are as follows:

- Within 45 days of the date of the MOU, Investor to complete due diligence and obtain taxation and structuring advice and binding MOU to be entered into (Binding MOU);
- Within 60 days of the date of the MOU formal joint venture documentation to be entered into.
- Within 90 days of the date of the MOU, Investor to provide requisite funds to fully fund mining and production of the DSO (the use of which is subject to satisfaction of the Condition Precedent (referred to below)). - in return for an entitlement to 49% of the off take of DSO at a discount to agreed market rates.
- Within 150 days of signing the Binding MOU, Cashmere is required to provide drilling results to show a minimum DSO JORC resource of at least 15 million tonnes (Condition Precedent);
- Investor will pay a "break fee" of $1 million to Cashmere which is non-refundable unless the Condition Precedent is not met. The $1 million shall be placed into a mutually agreed trust account prior to the commencement of the initial drilling program.

In terms of seeking to increase our DSO resource, the Company has identified two areas (Areas 6 and 8) as the key targets for further DSO exploration.

On 16 September 2013, the Group informed shareholders that negotiations with the private steel mill in China continue, however the timeframes outlined above have been extended because senior executives from the steel mill were unable to travel to Australia and complete their due diligence within a 45 day period of the signing of the non-binding MOU.

The Group revised expectation is that the steel mill should complete their due diligence (including a site visit) and obtain taxation and structuring advice by the end of November. The Group will also seek to ensure a binding MOU is entered into during this period and include within that MOU a revised timeframe.

Subsequent to year end the Group raised $1,339,817 via the allotment of 13,398,167 fully paid ordinary shares at $0.10 per ordinary share to a group of sophisticated investors. The cash from this raising will be used as working capital and will enable the Group to meet its current commitments.

Subsequent to year end the Group issued 1,000,000 ordinary shares to Enigma Capital Solutions Pty Ltd, an associate of Director Mr Sampson, in satisfaction for services provided valued at $100,000.

Subsequent to year end the group issued 1,000,000 ordinary shares to Derek La Ferla in satisfaction for services provided valued at $100,000.

The Directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent financial years.

27. CONTINGENT LIABILITIES & CONTINGENT ASSETS

The Group does not have any contingent assets at 30 June 2013 (2012: Nil).

The Group has a contingent liability as at 30 June 2013 being a "Completion Corporate Services Fee" payable to Dr Martin Chapman or his associates. In the event of a corporate transaction including a takeover, merger, scheme of arrangement, sale of its main undertaking or other corporate transaction(s) or commercial arrangement(s), Dr Chapman or his nominees may assert an entitlement to a Completion Corporate Services fee as set out in the following table:

Total Consideration $AUD million	Fixed Fee of Total Consideration
0-$350	0.175%
$350-$400	0.35%
$400-$450	0.7%
$450-$500	1.05%
$500-$550	1.4%
+$550	1.7%

At 30 June 2013, the Group had a contingent liability for the payment of fees to Mr Derek La Ferla or his associates under his contract for services as a Director and consultant. Pursuant to his contract, Mr La Ferla had elected to be only paid such fees in either ordinary shares or options in the Company where it undertakes a Transaction. As at reporting date the group has a contingent liability for an amount of $325,677 being fees that will be payable in the event of a Transaction and will (subject to necessary approvals) be satisfied by way of shares or options in the Group. Subsequent to the period end, the Group varied the contract for fees payable to Mr La Ferla which resulted in the decrease of the existing contingent liability balance at 30 June 2013, of $325,677 to $20,811. Mr La Ferla agreed to forgo $50,000 of the fees and the Company agreed to pay $100,000 of fees payable by way of issue of shares of the Company at the price of the most recent capital raising, being $0.10, which equates to the issue of 1,000,000 of the Company's shares subsequent to the period end. The Directors believe the varied contract is on arm's length terms.

The Group has a further contingent liability being the payment of a royalty to Mabrouk Minerals Pty Ltd of 3% of the FOB value of iron ore sales and 3% of the proceeds of sale recovered from non-ferrous minerals from the tenements the subject of the sublease agreement.

The Group has a contingent liability with regards to compensation of land owners in the region of the Cashmere Downs project should the Group move to a development phase. The potential value of this liability is not able to be estimated by the Group.

Should the Group choose to exercise the Option to purchase the tenements held by Mabrouk Minerals Pty Ltd, the Group will be required to pay the transfer duty on that purchase. Under W.A. state revenue laws, duty will be assessed on the higher of the consideration or unencumbered market value of the tenements as at the date of exercise of the option. As such, no estimate of the likely duty payable can be provided.

28. PARENT EQUITY DISCLOSURES

Parent Entity	**30-Jun-13**	30-Jun-12
	$	$
Assets		
Current Assets	**181,039**	1,260,171
Non-Current Assets	**15,108,368**	17,372,452
Total Assets	**15,289,407**	18,632,623
Liabilities		
Current Liabilities	**853,042**	851,722
Non-Current Liabilities	**550,452**	-
Total Liabilities	**1,403,494**	851,722
Equity		
Issued Capital	**21,757,008**	21,745,758
Accumulated Losses	**(13,371,721)**	(10,201,761)
Share Based Payments Reserve	**5,500,626**	6,236,904
Total Equity	**13,885,913**	17,780,901
Financial Performance		
Loss for the year	**3,905,322**	(3,316,976)
Other Comprehensive Income	**-**	-
Total Comprehensive Income	**3,905,322**	(3,316,976)
Contractual Commitments		
Operating Lease	**-**	-
Mineral Properties	**403,850**	403,850
Total Contractual Commitments	**403,850**	403,850

DIRECTORS' DECLARATION
For The Year Ended 30 June 2013

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and Corporations Regulations 2001; and,

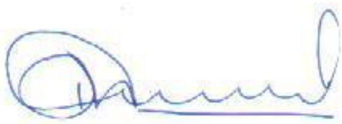
    (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated entity.

2. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

4. The directors have been given the required declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Mr David Hendrie
Director

Perth, Western Australia
31 October 2013

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Independent Auditor's Report
To the Members of Cashmere Iron Limited

We have audited the accompanying financial report of Cashmere Iron Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Cashmere Iron Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company'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 the notes to the financial statements.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 31 October 2013