

CASHMERE IRON LIMITED

ACN 126 738 949

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS PAGE
FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE DIRECTORY	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	15
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO THE FINANCIAL STATEMENTS	20
DIRECTORS' DECLARATION	48
INDEPENDENT AUDIT REPORT	49

**CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2014**

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

Registered Office

Unit 4, 80 Colin Street
West Perth WA 6005

T: +61 (08) 9226 2662

F: +61 (08) 9226 2667

Website: www.cashmereiron.com

Australian Company Number

ACN 126 738 949

Domicile and Country of Incorporation

Australia

Bankers

Commonwealth Bank
Level 2, 150 St Georges Terrace
Perth WA 6000

Auditors

Grant Thornton Audit Pty Ltd
10 Kings Park Rd
West Perth, WA, 6005
Website: www.grantthornton.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

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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 2014 (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
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 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.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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

¹MrHendrie's shareholding includes his relevant interest in Mabrouk Minerals Pty Ltd which holds 3,000,000 shares.

²Mr 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 ⁽¹⁾	No. Attended ⁽¹⁾
D. La Ferla	7	7
D. Hendrie	7	7
G. Sampson	7	7

(1) Six of the meetings outlined above were dealt with via circulatory resolutions of the board.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

B. Financial Performance & Financial Position

The financial results of the Group are as follows:

	30-Jun-14	30-Jun-13	% Change
Cash and cash equivalents (\$)	565,740	79,351	613%
Net assets (\$)	14,729,826	13,879,410	6%
Revenue (\$)	14,540	6,779	114%
Net loss after tax (\$)	(676,392)	(3,905,322)	-83%
Loss per share (cents)	(0.20)	1.25	-116%

Financial Performance

The financial result for the year ended 30 June 2014 is a net loss after tax of \$676,392 (2013: \$3,905,322), 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 increased during the year to \$565,740 from \$79,351 at 30 June 2013, accordingly the revenue has increased 56% on the prior year.

During the year, personnel expenses decreased 68% on the prior year, due to austerity measures adopted within the Company's operations.

Financial Position

The Group invested \$742,829 in the Company's Cashmere Downs Project during the period. The Group's net assets increased by 6%, due to a capital raising during the period of \$1.3m via the allotment of 13,398,167 fully paid ordinary shares at \$0.10 per ordinary share to sophisticated and professional investors.

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.

C. Business Strategies and Prospects for future financial years

During the next financial period and beyond, the Group intends to continue to actively evaluate the prospect of its Cashmere Downs project and as results become available; these results will be 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

9. REVIEW OF OPERATIONS

Overview

Over the last 12 months the Company has continued to advance the projects DSO resources. A resource drilling program was completed within the northern portion of Area 8. 65 RC holes were drilled for a total of 2317 meters. 22 previously drilled RC holes were also used in the resource calculations.

The target for iron mineralisation consists of three steeply dipping closely spaced BIF's, 10-30 meters in width interbedded with felsic volcanics and volcanoclastics. The entire rock sequence is approximately 150 meters wide and strikes north-northwest for over 7 kilometres. The drilled resource covers the northern 2 kilometres of a magnetic lineament which represents the BIF sequence. Drilling was focused on altered hematitic-goethitic rich BIF's which form a well-defined ridge within the resource area.

The program resulted in a first pass result of a JORC Inferred Resource of 4.5 million tonnes at 58.1% CA Fe. Exploration has continued with the potential for channel iron deposits being investigated within Area 5, which covers the central basin of the northern synclinal fold. This feature forms a natural trap site for drainage south from the BIF ridges which form the nose of the structure.

A conceptual study has been completed of the magnetite potential with in the BIF ridges south and along strike of Cashmere's 1 billion tonne resource within Area's 2 and 3. The study indicates a high grade-core banded magnetite potential of between 1.35 billion and 1.65 billion at a grade range 32% to 38%. The potential quantity and grade is conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

To assist with ongoing exploration Cashmere Iron has undertaken 3D magnetic modelling of the entire greenstone belt. Using innovative software to combine multi-profile magnetic and gravity airborne data a three-dimensional geophysical image can be built up. From the compiled image both deep and shallow magnetic-high density targets can be delineated including near surface channel iron deposits.

The Company has been working closely with Yilgarn Esperance Solutions Ltd "YES" consortium on the planned expansion of the Esperance Port and is currently undertaking due diligence with regards to resources and projected timing for the commencement of production.

The Company has also been in discussions with potential partners for the start of stage 1 of the project, the production of the DSO and Detritals. These discussions are progressing and shareholders will be updated as and when these discussion advance.

Corporate

During the period, 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 was 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.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

12. SUBSEQUENT EVENTS

In 2012 Almonte Diamond Pty Ltd provided the Company with a standby facility to ensure the Company met its short term funding needs. On 15 October 2015, the Company signed a variation agreement to amend the repayment date of this facility to 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 2016, unless the parties otherwise agree in writing (refer note 15 for further information).

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

15. REMUNERATION REPORT

Details of Remuneration for the Year Ended 30 June 2014

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 2014 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 ¹	100,000	-	-	-	-	-	-	100,000	-
D. Hendrie ²	274,161	-	-	-	25,839	-	-	300,000	-
G. Sampson ³	-	-	-	19,000	-	-	-	19,000	-
Sub-total	374,161	-	-	19,000	25,839	-	-	419,000	
Other Key Management									
None	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	
Total	374,161	-	-	19,000	25,839	-	-	419,000	

¹ During 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 to Derek La Ferla

² Mr Hendrie received \$82,380 in salary & fees and \$7,620 in superannuation during the financial year. The remainder of his entitlements, which include \$191,781 in salary & fees and \$18,219 in superannuation have been deferred and accrued.

³ During the 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 \$19,000 in services which has been accrued as at 30 June 2014. Further, during 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 (accrued in previous financial years). After the satisfaction of the \$100,000 in consulting fees a balance of \$94,000 remains unpaid.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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		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 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.

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 2014

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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 during the period, 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.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

During the period 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.

This is the end of the Remuneration Report.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

16. ORDINARY SHARES UNDER OPTION

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

During the 2014 financial year no options were exercised (2013: 56,250).

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 2014 financial year the Company had 328,330,660 ordinary shares on issue (2013:312,732,493).

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

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-14	30-Jun-13
	\$	\$
Amounts received or due and receivable by Grant Thornton for:		
Audit of the financial report	18,728	13,500
Secretarial services	297	270
Taxation services	7,975	5,800
	27,000	19,570

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 2014, the Group paid a premium to insure the Directors and officers of the Group.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

20. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2014 has been received and immediately follows the Directors' Report.

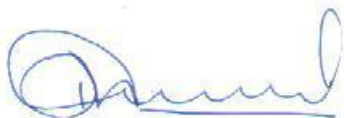
21. CORPORATE GOVERNANCE

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 DHendrie
Managing Director

Perth, Western Australia
31 October 2014

**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 2014, 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 AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 31 October 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2014

	Note	30-Jun-14 \$	30-Jun-13 \$
Revenue from continuing operations	3	14,540	6,779
Personnel expenses		(369,664)	(674,775)
Corporate and administrative expenses	4	(364,436)	(394,493)
Depreciation expense		(7,436)	(22,888)
Finance costs		(50,526)	(46,855)
Exploration and evaluation	11	5,629	(40,634)
Infrastructure expenditure written off	12	-	(2,732,456)
Other	12	(20,000)	-
Loss before income tax		(791,893)	(3,905,322)
Income tax benefit	6	115,501	-
Net loss for the year		(676,392)	(3,905,322)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(676,392)	(3,905,322)
		<u>Cents</u>	<u>Cents</u>
Basic loss per share	5	(0.20)	(1.25)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	30-Jun-14	30-Jun-13
		\$	\$
Current Assets			
Cash & cash equivalents	7	565,740	79,351
Trade & other receivables	8	170,036	1,444
Prepayments & deposits	9	107,043	100,244
Total Current Assets		842,819	181,039
Non-Current Assets			
Plant & equipment	10	21,467	27,402
Exploration & evaluation expenditure	11	15,506,661	14,854,463
Other assets	12	200,000	220,000
Total Non-Current Assets		15,728,129	15,101,865
TOTAL ASSETS		16,570,948	15,282,904
Current Liabilities			
Trade & other payables	13	1,184,133	793,571
Provisions	14	56,537	59,471
Total Current Liabilities		1,240,670	853,042
Non-Current Liabilities			
Borrowings	15	600,452	550,452
Total Non-Current Liabilities		600,452	550,452
Total Liabilities		1,841,122	1,403,494
NET ASSETS		14,729,826	13,879,410
Equity			
Contributed equity	16	23,283,816	21,757,008
Reserves	17	5,500,626	5,500,626
Accumulated losses	17	(14,054,616)	(13,378,224)
TOTAL EQUITY		14,729,826	13,879,410

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2014

	Contributed equity	Reserves	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
Capital raising costs	-	(736,278)	736,278	-
At 30 June 2013	21,757,008	5,500,626	(13,378,224)	13,879,410

	Contributed equity	Reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
At 1 July 2013	21,757,008	5,500,626	(13,378,224)	13,879,410
Comprehensive income:				
Loss for the year	-	-	(676,392)	(676,392)
Total comprehensive loss for the year	-	-	(676,392)	(676,392)
Transactions with owners in their capacity as owners:				
Issue of share capital	1,526,808	-	-	1,526,808
Options expired during the year	-			-
At 30 June 2014	23,283,816	5,500,626	(14,054,616)	14,729,826

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2014

Note	30-Jun-14	30-Jun-13
	\$	\$
Cash flows used in operating activities		
Payment to suppliers, contractors & employees	(412,471)	(1,118,929)
Tax benefits received	2,529	578,981
Interest received	10,608	6,779
Net cash flows used in operating activities	(399,334)	(533,169)
	7(b)	
Cash flows used in investing activities		
Payment for exploration, evaluation and development	(393,199)	(202,788)
Payment for plant & equipment	(1,500)	-
Net cash flows used in investing activities	(394,699)	(202,788)
Cash flows from financing activities		
Proceeds from issue of fully paid ordinary shares	1,280,422	11,250
Proceeds from unissued ordinary shares	-	50,000
Proceeds from borrowings	-	250,000
Net cash flows provided by financing activities	1,280,422	311,250
Net increase/(decrease) in cash and cash equivalents	486,389	(424,707)
Cash and cash equivalents at the beginning of the year	79,351	504,058
Cash and cash equivalents at the end of the year	565,740	79,351
	7(a)	

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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 2014 was authorised for issue in accordance with a resolution of the Directors on 31 October 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2013.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities"	1 January 2014	30 June 2015
AASB 2013-3 "Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets"	1 January 2014	30 June 2015
AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities"	1 January 2014	30 June 2015
AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments"	1 January 2014	30 June 2015

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

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 2014 the Group recorded a net loss after tax of \$676,392, a cash outflow from operating activities of \$399,334 and had a working capital deficit (net current liabilities) of \$397,851.

Subsequent to year end the Group entered into a variation agreement to defer settlement of certain liabilities until successful completion of the certain capital raising initiatives. In the past 5 years \$12.84 million have been provided by investors via placements, convertible notes and exercise of options indicating a supportive base of investors.

The cash on hand at 30 June 2014 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-14	30-Jun-13
	\$	\$
Other revenue		
Interest income	12,011	6,779
Fuel Tax Rebate	2,529	-
Total other revenue	14,540	6,779

4. EXPENSES

	30-Jun-14	30-Jun-13
	\$	\$
Corporate and administrative expenses		
Accounting and secretarial fees	42,770	73,919
Insurance	9,260	17,811
Legal fees	5,624	1,212
Occupancy expenses	34,659	94,128
Travelling expenses	11,873	8,342
Administration expenses	40,623	45,218
Consulting expenses	154,079	71,540
Professional fees	61,259	11,689
Other	4,288	70,634
Total corporate and administrative expenses	364,436	394,493

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

5. EARNINGS PER SHARE

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.

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
Net loss attributable to the ordinary equity holders of the Company (\$)	(676,392)	(3,905,322)
Weighted average number of ordinary shares for basic earnings per share (No.)	338,779,728	312,686,722
- Basic loss per share (cents)	(0.20)	(1.25)

6. INCOME TAX

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Numerical reconciliation of income tax expenses to prima facie tax payable		
Accounting loss before tax	(791,893)	(3,905,322)
Prima facie tax payable on loss before income tax at 30%	(237,568)	(1,171,597)
Add/(less) tax effect of:		
Permanent difference		
- Share based payments	-	
- Research and development expenditure income tax rebate	(115,501)	
- Other non-assessable / (non-deductable) expenditure	-	
Deferred tax assets not brought to account at the reporting date as realisation of the benefit is not probable	237,568	1,171,597
Income tax expense / (benefit) attributable to operating loss	(115,501)	0
Deferred tax assets		
- Tax losses	5,388,194	5,226,848
- Temporary Differences - Profit & Loss	1,094,882	871,700
- Temporary Differences - Equity	28,745	49,074
Deferred Tax Liabilities		
- temporary differences - Profit and Loss	(4,651,998)	(4,456,339)
	1,859,823	1,691,283

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

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

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Cash at bank and in hand	565,740	79,351
Short-term deposit	-	-
	<u>565,740</u>	<u>79,351</u>

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

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Net loss after income tax	(676,392)	(3,905,322)
Adjustments for:		
Depreciation	7,436	22,888
Accrued interest on borrowings	50,000	46,027
Exploration and evaluation written off	(5,629)	40,634
Infrastructure expenditure written off	-	2,732,456
Equity Settled Share Based Payment	200,000	-
Changes in assets and liabilities:		
(Increase) / decrease in trade & other receivables	(119,772)	584,140
(Increase) / decrease in prepayments & deposits	0	2,135
(Increase) / decrease in other assets	20,000	-
Increase / (decrease) in trade & other payables	127,956	(83,102)
Increase / (decrease) in provisions	(2,934)	26,975
Net cash flows used in operating activities	<u>(399,334)</u>	<u>(533,169)</u>

(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	100,000	-
Shares issued to Director Derek La Ferla in satisfaction of amounts due for services provided to the Group	100,000	-

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

8. TRADE & OTHER RECEIVABLES

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Sundry receivables	-	1,444
Tax receivables	4,311	-
Research and development tax concession	165,725	-
	<u>170,036</u>	<u>1,444</u>

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

9. PREPAYMENTS & DEPOSITS

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Prepayments - Capital raising costs	-	3,614
Prepayments - Other	106,043	95,630
Deposits	1,000	1,000
	<u>107,043</u>	<u>100,244</u>

10. PROPERTY, PLANT & EQUIPMENT

	<u>Plant & Equipment</u>	<u>Office Equipment</u>	<u>Total</u>
	\$	\$	\$
Year ended 30 June 2014			
Opening net book amount	9,767	17,635	27,402
Additions	-	1,500	1,500
Depreciation charge	(1,448)	(5,988)	(7,436)
Closing net book amount	<u>8,319</u>	<u>13,147</u>	<u>21,466</u>

At 30 June 2014

Cost or fair value	39,046	62,551	101,597
Accumulated depreciation	(30,727)	(49,404)	(80,131)
Net book amount	<u>8,319</u>	<u>13,147</u>	<u>21,466</u>

	<u>Plant & Equipment</u>	<u>Office Equipment</u>	<u>Total</u>
	\$	\$	\$
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	<u>9,767</u>	<u>17,635</u>	<u>27,402</u>

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	<u>9,767</u>	<u>17,635</u>	<u>27,402</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

11. EXPLORATION & EVALUATION EXPENDITURE

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Balance at the beginning of the year	14,854,463	14,363,203
Exploration and evaluation expenditure	742,829	531,894
Refund of Rent on relinquishment of tenements ⁽¹⁾	(96,260)	-
Exploration and evaluation written off	5,629	(40,634)
Carrying amount at the end of the year	15,506,661	14,854,463

⁽¹⁾ During the period, the Group relinquished 6 tenements being L57-40-L57/43; E57/887 and E57/780 and the annual rent was refunded.

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

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Option to purchase tenements	200,000	200,000
Option to purchase pastoral lease	20,000	20,000
Write off Option to purchase pastroal lease expired	(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)	(2,732,456)
	200,000	220,000

13. TRADE AND OTHER PAYABLES

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Trade payables ⁽ⁱ⁾	54,728	40,071
Accruals ⁽ⁱⁱ⁾	1,127,500	703,500
Other payables ⁽ⁱⁱⁱ⁾	1,905	50,000
	1,184,133	793,571

(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 \$600,000 and \$94,000 outstanding to Enigma Capital for consulting fees.

(iii) Other payables at reporting date relate to superannuation payable for the quarter end 30 June 2014.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

14. PROVISIONS

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Employee entitlements		
Annual Leave	56,537	59,471
	56,537	59,471

15. BORROWINGS

NON-CURRENT

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Loan- Almonte Diamond Pty Ltd	600,452	550,452
	600,452	550,452

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, substantial shareholder and 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. 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.

On 15 October 2014, 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 2016, unless the parties otherwise agree in writing.

Of the outstanding balance at 30 June 2014, \$100,452 relates to outstanding interest (2013:\$ 50,452).

16. CONTRIBUTED EQUITY

(a) Ordinary shares

	<u>30-Jun-14</u>		<u>30-Jun-13</u>	
	No.	\$	No.	\$
Fully paid ordinary shares	328,330,660	23,283,817	312,732,493	21,757,008

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(b) Movement in ordinary shares

	30-Jun-14		30-Jun-13	
	No.	\$	No.	\$
Balance at the beginning of the year	312,732,493	21,757,008	312,676,243	21,745,758
Shares issued at \$0.10 per share (i)	13,598,167	1,359,817	56,250	11,250
Shares issued for consulting fees (ii)	2,000,000	200,000		
Share raising costs	-	33,008	-	-
Balance at the end of the year	328,330,660	23,283,817	312,732,493	21,757,008

(i) Shares issued to sophisticated and professional investors by way of a placement at \$0.10 per share.

(ii) Shares issued during the year at a deemed price of \$0.10 per share in consideration for services provided by Enigma Capital Pty Ltd and Mr La Ferla (refer Note 18(e)).

(c) Options over Ordinary Shares

As at 30 June 2014, the Group had the following outstanding options over Ordinary Shares:

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

(i) 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.

(ii) Series C options

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

(iii) Series D options

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(iv) *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 or 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-14	Balance at beginning of year	Granted	Exercised	Other ¹	Balance at end of year	Weighted average exercise price
Series A	-	-	-	-	-	\$0.20
Series B	5,625,000	-	-	-	5,625,000	\$0.20
Series C	4,875,000	-	-	-	4,875,000	\$0.20
Series D	82,026,750	-	-	-	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
	96,526,750	-	0	0	96,526,750	

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(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 2014 and no dividends are expected to be paid in 2015.

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

17. RESERVES & ACCUMULATED LOSSES

(a) Reserves

	30-Jun-14	30-Jun-13
	\$	\$
Share-based Payment Reserves		
Balance at the beginning of the year	5,500,626	6,236,904
Equity based payments - expense	-	
Transfer to retained earnings (options expired)	-	736,278
Balance at the end of the year	5,500,626	5,500,626

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-14	30-Jun-13
	\$	\$
Accumulated Losses		
Balance at the beginning of the year	13,378,224	10,209,180
Loss for the year	676,392	3,905,322
Transfer from share-based payments reserve	0	736,278
Balance at the end of the year	14,054,616	13,378,224

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
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

All of the above persons were also key management persons during the year ended 30 June 2014 unless otherwise noted.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(b) Key management personnel remuneration

	30-Jun-14	30-Jun-13
	\$	\$
Compensation by category		
Short-term employee benefits	292,380	385,230
Post employment benefits	7,620	24,770
Equity-based payments (refer note 20)	119,000	-
	419,000	410,000

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*
 No options were provided as remuneration and no options were exercised during the period.

(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-14	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	-	-	-	-	-	-
Total	9,474,750	-	-	-	9,474,750	9,474,750

Key Management Personnel

None	-	-	-	-	-	-
Total	-	-	-	-	-	-

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	-	-	-	-	-	-

¹ Held at date of resignation, being 28 February 2013

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(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-14	Opening Balance	Acquired during the year	Received During Year on Exercise of Options	Other changes	Closing Balance
Directors					
D. La Ferla	76,923	1,250,000	-	-	1,326,923
D. Hendrie ¹	49,479,000	-	-	-	49,479,000
G. Sampson	962,364	1,250,000	-	-	2,212,364
Total	50,518,287	2,500,000	-	-	53,018,287

Key Management Personnel

None	-	-	-	-	-
Total	-	-	-	-	-

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
A.R. Master ^{1,2}	47,059,000	-	-	-	47,059,000
G. Sampson	962,364	-	-	-	962,364
Total	97,577,287	-	-	-	97,577,287

Key Management Personnel

None	-	-	-	-	-
Total	-	-	-	-	-

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 28 February 2013

(d) Payables to key management personnel

	30-Jun-14	30-Jun-13
	\$	\$
Amounts payable to Directors, and Director related entities at the end of the financial year, included in current liabilities	1,114,000	690,000
Amounts payable to key management personnel and key management personnel related entities at the end of the financial year, included in current liabilities	-	-
Total	1,114,000	690,000

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

(e) Other transactions with key management personnel

Mr Derek La Ferla

During the period 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 for Mr La Ferla's services as a Director and consultant.

Mr Graeme Sampson - Enigma Capital Solutions Pty Ltd:

In the 2014 financial year the Group accrued \$19,000 for services provided to Enigma Capital Solutions Pty Ltd. The total accrual outstanding to Enigma at 30 June 2014 was \$94,000, which includes \$125,000 carried over from the 2012 financial year and \$50,000 carried over from the 2013 financial year.

During the period 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 \$94,000.

Mr Hendrie - Mabrouk Minerals Pty Ltd:

In the 2014 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. The total accrual of rent payable to Mabrouk Minerals is \$600,000.

19. RELATED PARTY DISCLOSURES

Mr Hendrie: 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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

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 15 October 2014);
- 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 2016, unless the parties otherwise agree in writing (as per the variation agreement dated 15 October 2014).

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

At 30 June 2014, Cashmere had drawn down \$500,000 on the facility and accrued \$100,452 in interest (refer Note 15).

20. EQUITY BASED PAYMENTS

Financial year ended 30 June 2014 equity based payments

During the financial year, the Group issued 1,000,000 ordinary shares at a deemed price of \$0.10 per share in satisfaction of consulting fees payable of \$100,000 to Enigma Capital Solutions Pty Ltd (refer note 18(e)).

During the financial year, the Group issued 1,000,000 ordinary shares at a deemed price of \$0.10 per share in satisfaction of consulting fees payable of \$100,000 to Director, Derek La Ferla (refer note 18(e) & note 28).

Financial year ended 30 June 2013 equity based payments

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

21. AUDITORS' REMUNERATION

	<u>30-Jun-14</u>	<u>30-Jun-13</u>
	\$	\$
Amounts received or due and receivable by Grant Thornton for:		
Audit of the financial report	18,728	13,500
Secretarial services	297	270
Taxation services	7,975	5,800
	<u>27,000</u>	<u>19,570</u>

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

22. COMMITMENTS

There were no outstanding commitments, which are not disclosed in the financial statements as at 30 June 2014 other than:

	30-Jun-14	30-Jun-13
	\$	\$
<u>TENEMENT COMMITMENTS</u> ⁽¹⁾		
Within one year	201,672	604,919
After one year but not more than five years	792,178	398,931
After more than five years	-	-
Total minimum commitment	993,850	1,003,850

	30-Jun-14	30-Jun-13
	\$	\$
<u>LEASING COMMITMENTS</u>		
Within one year	41,787	-
After one year but not more than five years	3,482	-
After more than five years	-	-
Total minimum commitment	45,269	-

⁽¹⁾ The tenement commitments comprise rents, rates, minimum expenditure commitments and \$300,000 being tenement rent payable to Mabrouk Minerals Pty Ltd in accordance with the Sublease Agreement as detailed in Note 19 below. As the Group leases the iron ore rights only from Mabrouk Minerals Pty Ltd, expenditure incurred by Mabrouk Minerals Pty Ltd in relation to exploration for other minerals is allocated towards the minimum tenement commitment expenditure of the Group. With the exception of \$300,000 payable to Mabrouk Minerals Pty Ltd, the Group has substantially met the expenditure commitments outlined above at the date of this report.

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-14	30-Jun-13
	\$	\$
Financial assets		
Cash & cash equivalents	565,740	79,351
Trade & other receivables	170,036	1,444
	735,776	80,795
Financial liabilities		
Trade & other payables	1,184,133	793,571
Borrowings	600,452	550,452
	1,784,585	1,344,023
Net exposure	(1,048,809)	(1,263,228)

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(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-14 \$	Weighted Average Interest Rate	30-Jun-13 \$
Financial assets				
Cash & cash equivalents	2.4%	565,740	3.5%	79,351

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-14 \$	30-Jun-13 \$
Standard & Poors rating		
AA	565,740	79,351

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

(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.

				Total	
	<6 months	>6 - 12	> 12 months	Contractual	Carrying
30-Jun-14		months		Cash Flows	Amount
	\$	\$	\$	\$	\$
Financial assets					
Cash & cash equivalents	565,740	-	-	565,740	565,740
Trade & other receivables	170,036	-	-	170,036	170,036
	735,776	-	-	735,776	735,776
Financial liabilities					
Trade & other payables	1,184,133	-	-	1,184,133	1,184,133
Borrowings	-	-	600,452	600,452	600,452
	1,184,133	-	600,452	1,784,585	1,784,585
Net exposure	(448,357)	-	(600,452)	(1,048,809)	(1,048,809)
				Total	
	<6 months	>6 - 12	> 12 months	Contractual	Carrying
30-Jun-13		months		Cash Flows	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)

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

25. SUBSIDIARIES

	Country of Incorporation	Ownership Interest	
		30-Jun-14	30-Jun-13
Parent Entity:			
Cashmere Iron Limited	Australia		
Subsidiaries:			
Australian Infrastructure Group Limited	Australia	100%	100%

26. SUBSEQUENT EVENTS

In 2012 Almonte Diamond Pty Ltd provided the Company with a standby facility to ensure the Company met its short term funding needs. On 15 October 2015, the Company signed a variation agreement to amend the repayment date of this facility to 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 2016, unless the parties otherwise agree in writing (refer note 15 for further information).

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 2014 (2013: Nil).

The Group has a contingent liability as at 30 June 2014 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 2014, 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 \$43,311 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. During the period, the Group varied the contract for fees payable to Mr La Ferla which resulted in the decrease of the 30 June 2013 contingent liability balance 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2014

28. PARENT EQUITY DISCLOSURES

	30-Jun-14	30-Jun-13
	\$	\$
Assets		
Current Assets	842,819	181,039
Non-Current Assets	15,735,745	15,108,368
Total Assets	16,578,564	15,289,407
Liabilities		
Current Liabilities	1,240,670	853,042
Non-Current Liabilities	600,452	550,452
Total Liabilities	1,841,122	1,403,494
Equity		
Issued Capital	23,283,816	21,757,008
Accumulated Losses	(14,047,000)	(13,371,721)
Share Based Payments Reserve	5,500,626	5,500,626
Total Equity	14,737,442	13,885,913
Financial Performance		
Loss for the year	676,392	3,905,322
Other Comprehensive Income	-	-
Total Comprehensive Income	676,392	3,905,322
Contractual Commitments		
Lease	45,269	-
Mineral Properties	993,850	1,003,850
Total Contractual Commitments	1,039,119	1,003,850

DIRECTORS' DECLARATION

For The Year Ended 30 June 2014

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 2014 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 2014

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

Level 1
10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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 2014, 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

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of Cashmere Iron Limited and controlled entities for the year ended 30 June 2014 included on Cashmere Iron Limited's web site. The Company's Directors are responsible for the integrity of Cashmere Iron Limited's web site. We have not been engaged to report on the integrity of Cashmere Iron Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M Hillgrove
Partner - Audit & Assurance

Perth, 31 October 2014