LEGACY

IRON ORE LIMITED

(ACN 125 010 353)

Annual Report
for the Year Ended 30 June 2013

CONTENTS

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STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: LCY

Dear Shareholder,

I am pleased to present an overview of your Company's activities for the year ended 30 June 2013.

During the financial year Legacy has continued its strategy of moving closer to development of the large scale Mt Bevan iron ore project, while advancing opportunities across its existing project portfolio. In addition, Legacy has also assessed and elected to pursue a number of opportunities to acquire new projects to diversify its commodity and project mix, with the aim of maximising return on invested capital.

In February, resource definition drilling completed at Mt Bevan demonstrated the continuity of the ore body, a 2.26 billion tonne resource of magnetite mineralisation grading 27.6% Fe (15% Fe cut off), or 1.59 billion tonnes of magnetite mineralisation grading 30.2% Fe (25% cut off). Located in the emerging Central Yilgarn iron ore region of West Australia and with several infrastructure solutions available, Mt Bevan is well placed to become long life operation.

During the year Legacy announced it remained in discussions with Hawthorn Resources Ltd regarding advancing the 2013 budget with a view to increase the resource from an Inferred category to an Indicated category, together with additional scout drilling focussed on haematite targets.

This financial year Legacy acquired tenements in Queensland's Surat and Mulgildie coal basins which are prospective for quality coking and thermal coal mineralisation. This acquisition has marked Legacy's entry into the prominent Queensland coal sector.

It has been a challenging year for Australia's junior exploration and the development sector, evidenced by widespread difficulty to raise funds and pressure on share prices. Legacy too has been impacted by this change in investor sentiment, and both Board and management are working hard to continue to build shareholder value.

We are however fortunate to have introduced NMDC as a cornerstone shareholder last year. NMDC is India's largest iron ore producer, and with an A$7.6 billion market capitalisation, are a financially powerful group and a strong supporter of Legacy's strategy and future growth.

In the past financial year, Legacy has also completed a strategic review of its non-core assets with the aim of identifying strategies to unlock the value for our shareholders. Legacy will continue to assess these opportunities.

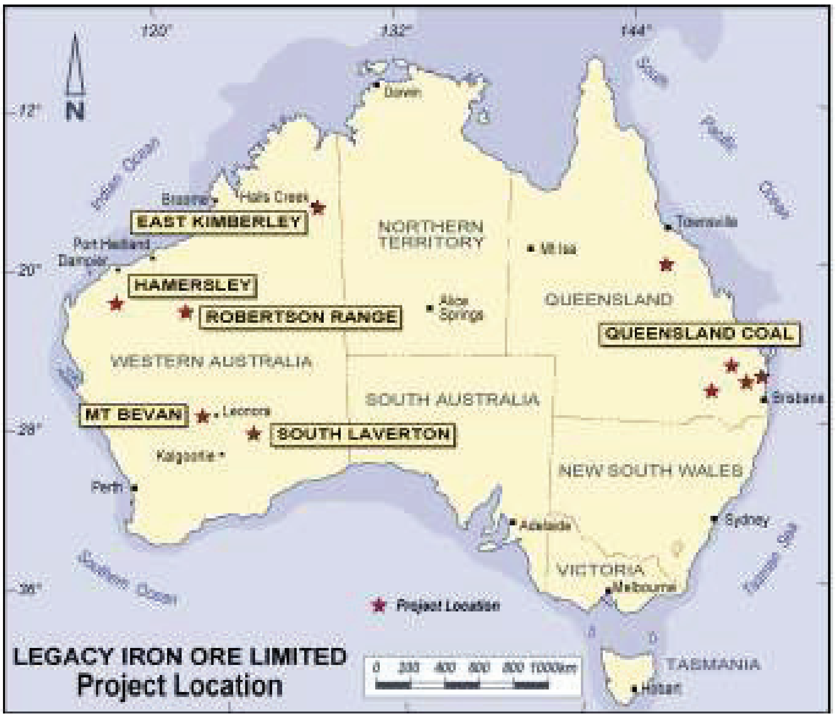
I sincerely thank all staff and shareholders for your ongoing support, and look forward to 2014 as Legacy continue to progress the Mt Bevan project as well as its broader asset portfolio.

Yours faithfully,

Mr N.K. Nanda
Non-Executive Chairman

OPERATIONS' REPORT

The Company is exploring and developing mineral projects in Western Australia and Queensland. The principal commodities are iron ore, coal, manganese, gold and base metals.



IRON ORE

Legacy Iron Ore Limited ("Legacy Iron" or "the Company") is the manager of the Mt Bevan Joint Venture in the Yilgarn of Western Australia. The Mt Bevan Iron Ore Project ("Mt Bevan") is a joint venture between Legacy Iron and Hawthorn Resources Limited (ASX: HAW or "Hawthorn) with Legacy Iron holding 60% interest in the project. Legacy Iron has now drilled out a major magnetite resource and is investigating the strong potential for shallow DSO or beneficiable hematite resources. It also holds two substantial iron ore projects located close to infrastructure in the Pilbara of Western Australia (Figure 1).

OPERATIONS' REPORT (continued)

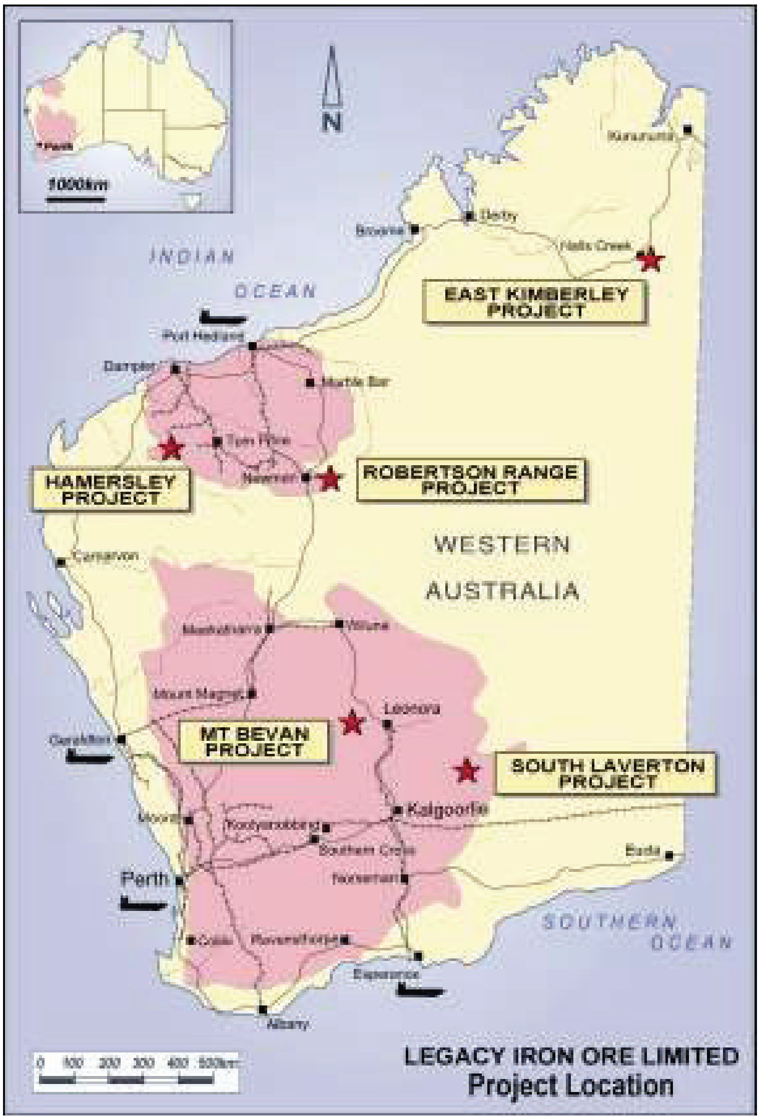


Figure 1: Legacy Iron projects – Western Australia

Mt Bevan Iron Ore Project

Mt Bevan is the Company's prime focus of iron ore exploration. The project has the potential to deliver a world-class magnetite resource with excellent mining and metallurgical characteristics. In addition, there is known DSO hematite mineralisation within the region. Drilling on one target – the Western BIF – has resulted in the definition of a major JORC compliant Inferred Resource of 1.6 billion tonnes at 30.2% Fe. Infill drilling over a central 2km strike of the 10km long deposit was completed in 2012. This program was designed to convert a substantial part of the Inferred Resource to Indicated status as a precursor to a Pre-Feasibility study.

OPERATIONS' REPORT (continued)

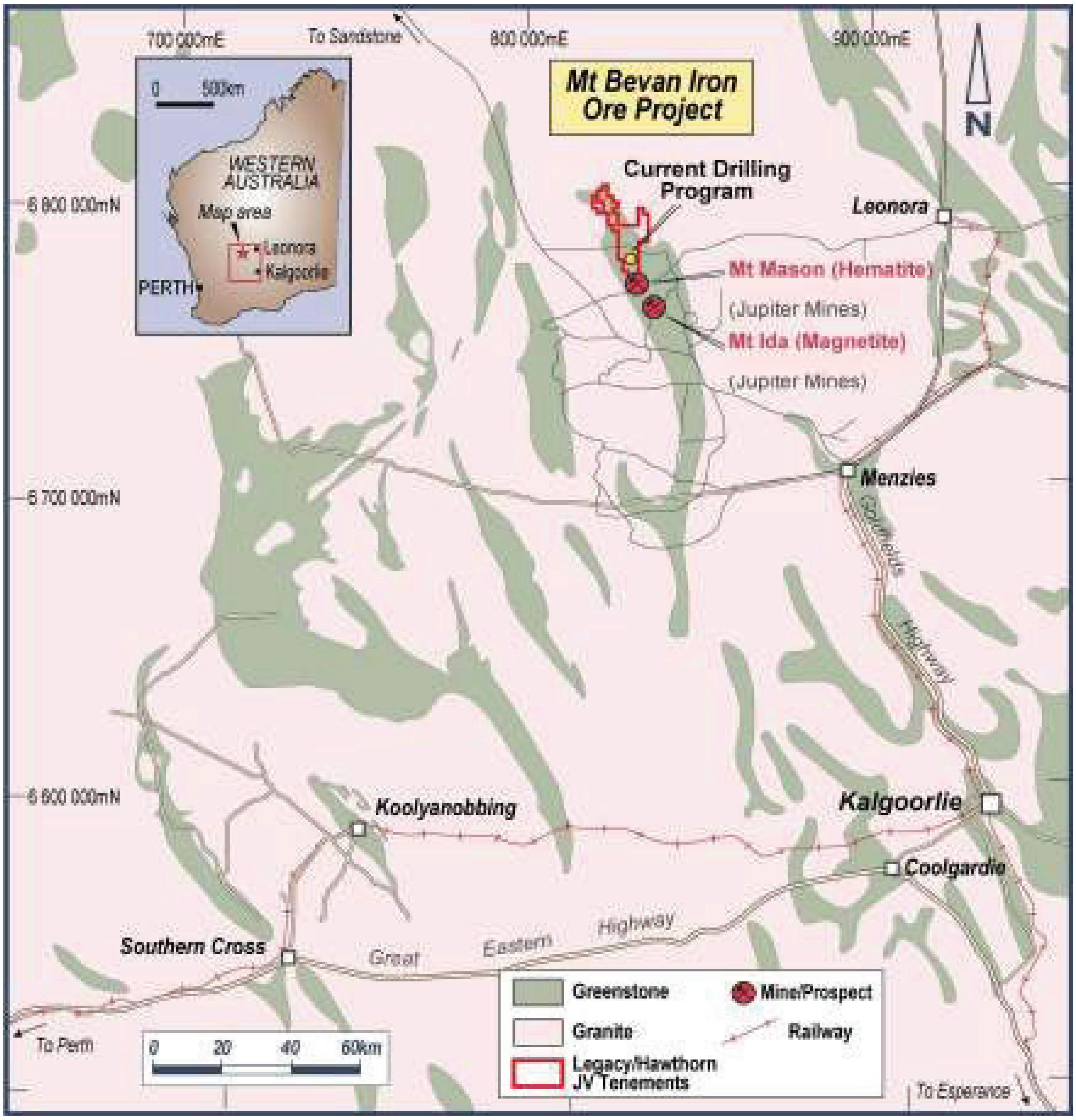


Figure 2: Mt Bevan Iron Ore Project

All drilling by Legacy Iron has been conducted to date on the Western BIF magnetite target. This is located in the southern part of the Mt Bevan project area, to the immediate north of the significant magnetite and hematite resources held by Jupiter Mines Limited (ASX: JMS or "Jupiter") (*Figure 2*). The Jupiter Mt Ida magnetite deposit has a JORC compliant Inferred and Indicated Resource of 1.85 Bt grading 29.48% Fe (10% Fe grade cut-off). The Mt Mason DSO hematite deposit has a JORC compliant Inferred Resource of 5.9Mt @ 60.1% Fe, close to the Mt Bevan southern boundary. This mineralisation is known to extend into the Legacy Iron/Hawthorn joint venture ground at Mt Bevan.

OPERATIONS' REPORT (continued)

Figure 3 shows an aeromagnetic image showing the targeted BIF units and drilling completed to date.

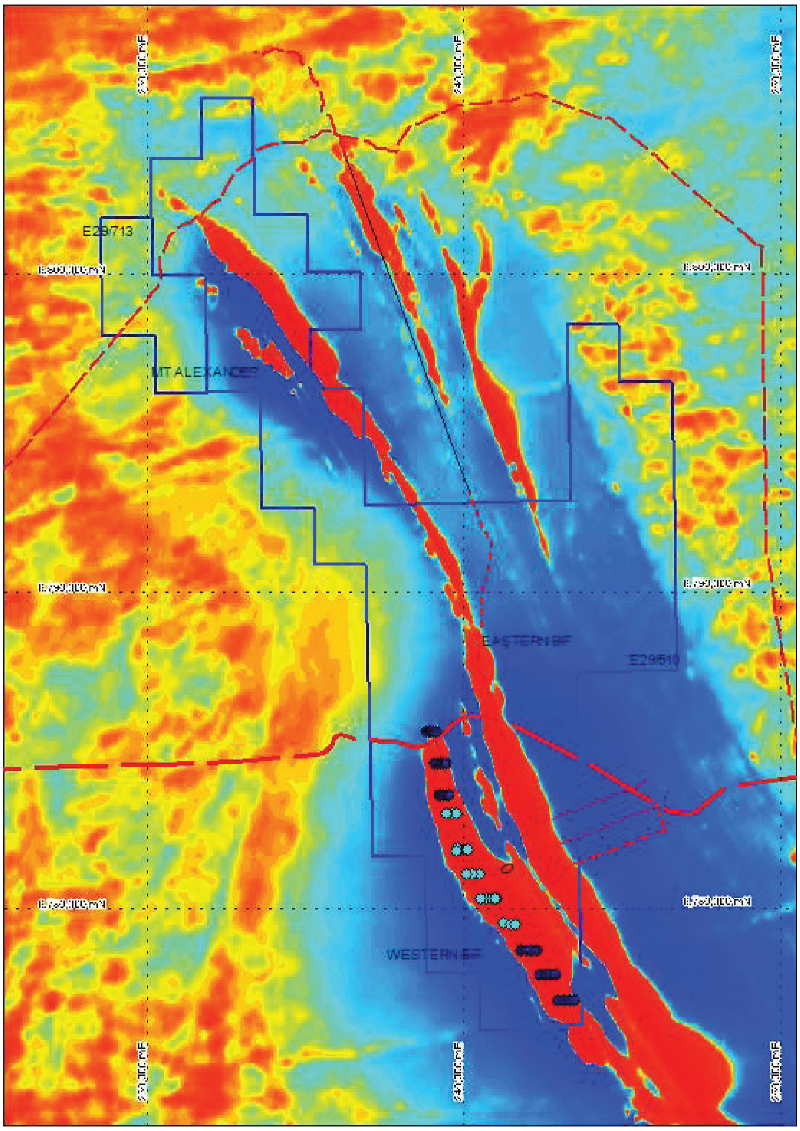


Figure 3: Aeromagnetic image showing magnetite bearing BIF units (red) and drill hole locations

The Western BIF horizon extends for at least 11km within the southern part of the project area, and is the northern, more extensive part of the same horizon, that hosts the Mt Ida magnetite resource of Jupiter. In addition, this Western BIF horizon is present over several kilometres of strike length in the northern part of the project area at Mt Alexander. The project area also contains the Eastern BIF unit that occupies some 20km strike within the project area. No drill testing for magnetite has been undertaken on this unit to date.

OPERATIONS' REPORT (continued)

Figure 4 shows again the drill hole locations and drilling lines superposed on aerial imagery.

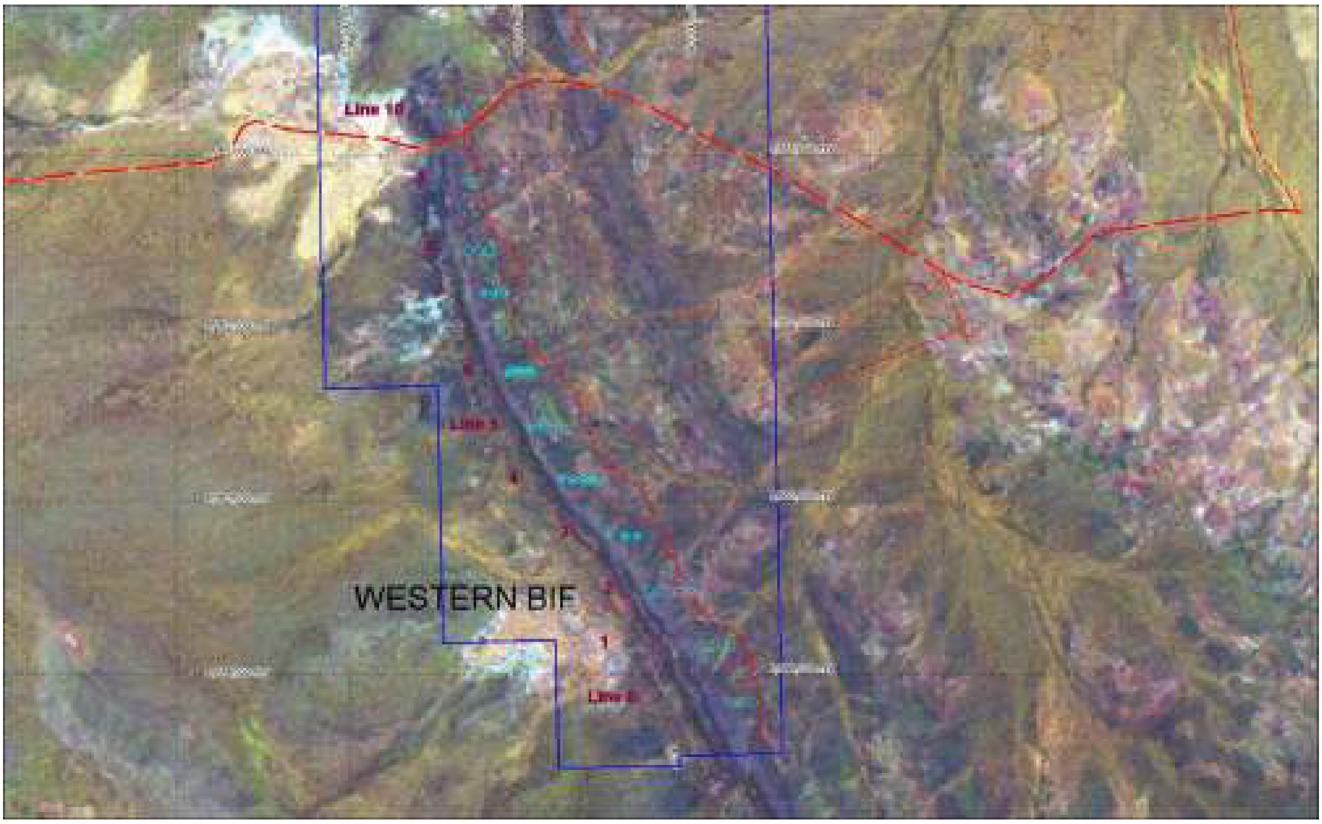


Figure 4: Western BIF aerial image showing drilling lines.
Magnetite mineralisation intersected over whole 10 km strike length
Phase 3 Indicated Resource Drilling between Lines 3 to 5.

Three phases of RC and diamond drilling have now been completed at Mt Bevan. The Phase 2 program was conducted over the 11km strike length of the Western BIF and resulted in the definition of a JORC compliant Inferred Resource calculated by SRK Consulting:

Mineral Resource Estimate Statement for the Mt Bevan Iron Ore Project as at 1 February 2012, reported at a cut-off grade of Fe>15%

Classification	Tonnes (Bt)	Fe %	SiO2 %	Al2O3 %	CaO %	P %	S %	LOI %
Inferred	2.26	27.58	48.51	4.07	3.09	0.06	0.19	0.35

Mineral Resource Estimate Statement for the Mt Bevan Iron Ore Project as at 1 February 2012, reported at a cut-off grade of Fe>25%

Classification	Tonnes (Bt)	Fe %	SiO2 %	Al2O3 %	CaO %	P %	S %	LOI %
Inferred	1.59	30.2	47.5	2.9	2.6	0.06	0.17	0.23

Although classed as an Inferred Resource, drilling to date has shown the mineralised body to have exceptional continuity both along the 10km of strike and some 500m (still open) down dip. This can be seen in the cross sections showing all drilling presented in Figure 4 below. As a result, Legacy Iron has high confidence in increasing and efficiently converting the JORC resource status with further drilling.

OPERATIONS' REPORT (continued)

A 3-D Leapfrog image showing the main magnetite unit with drilling is shown in *Figure 5*. The 100m plus thick magnetite unit extends continuously along strike for 10km.

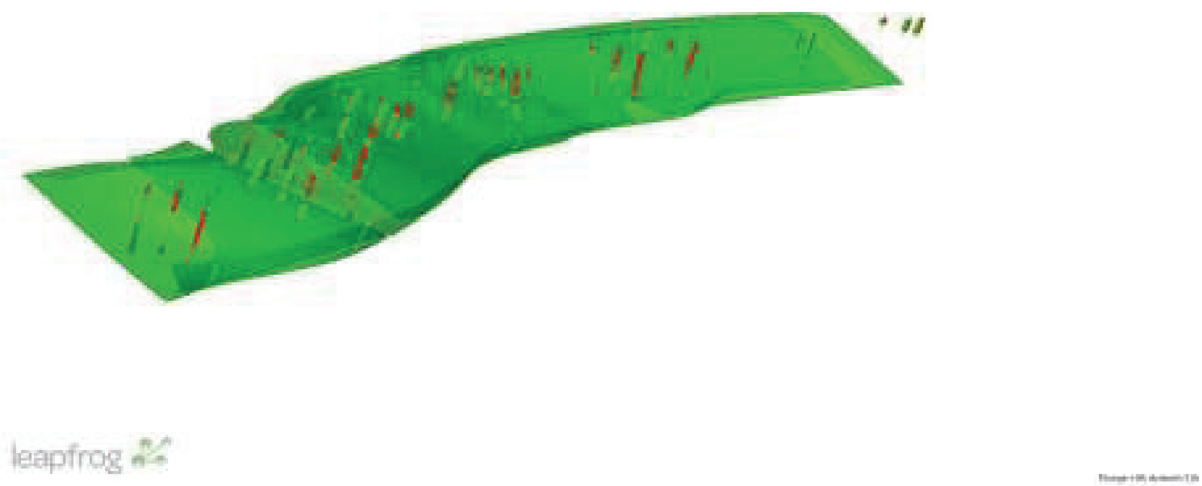


Figure 6: 3D image of main magnetite unit – strike length of 10km

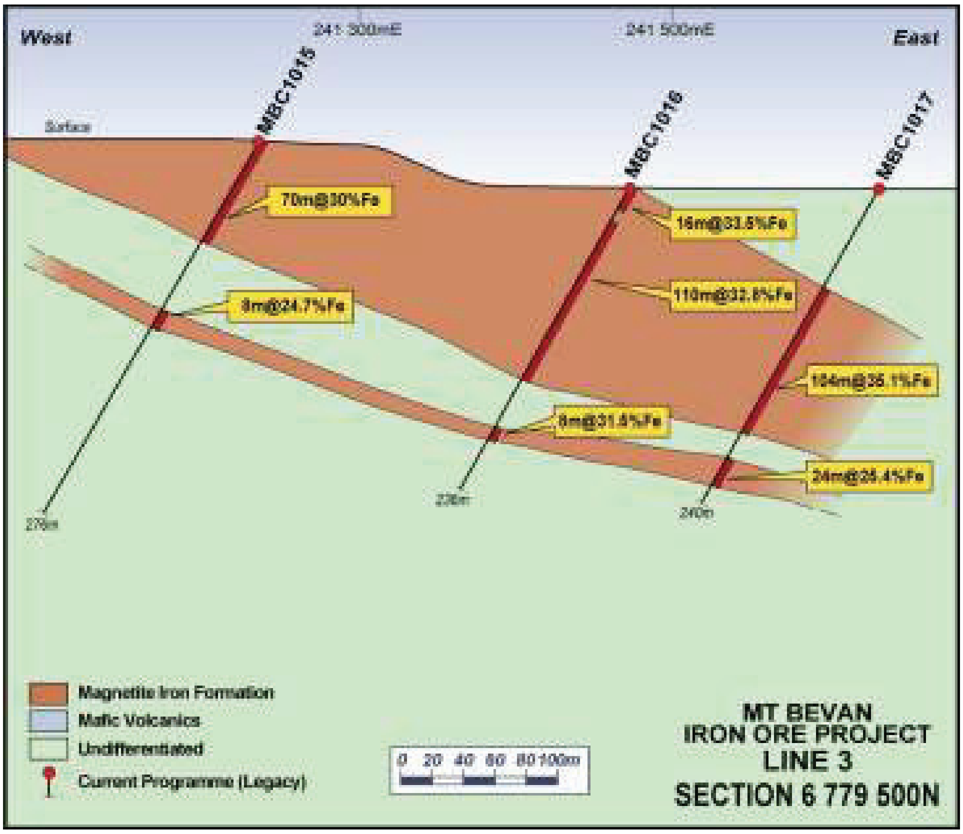
The Phase 3 drilling program was completed in 2012 with final results released in February 2013. The program, comprising 6280m of RC and 2231m of diamond drilling, was essentially infill drilling designed to convert a substantial proportion of the Inferred Resource to Indicated status and provide material for metallurgical test work.

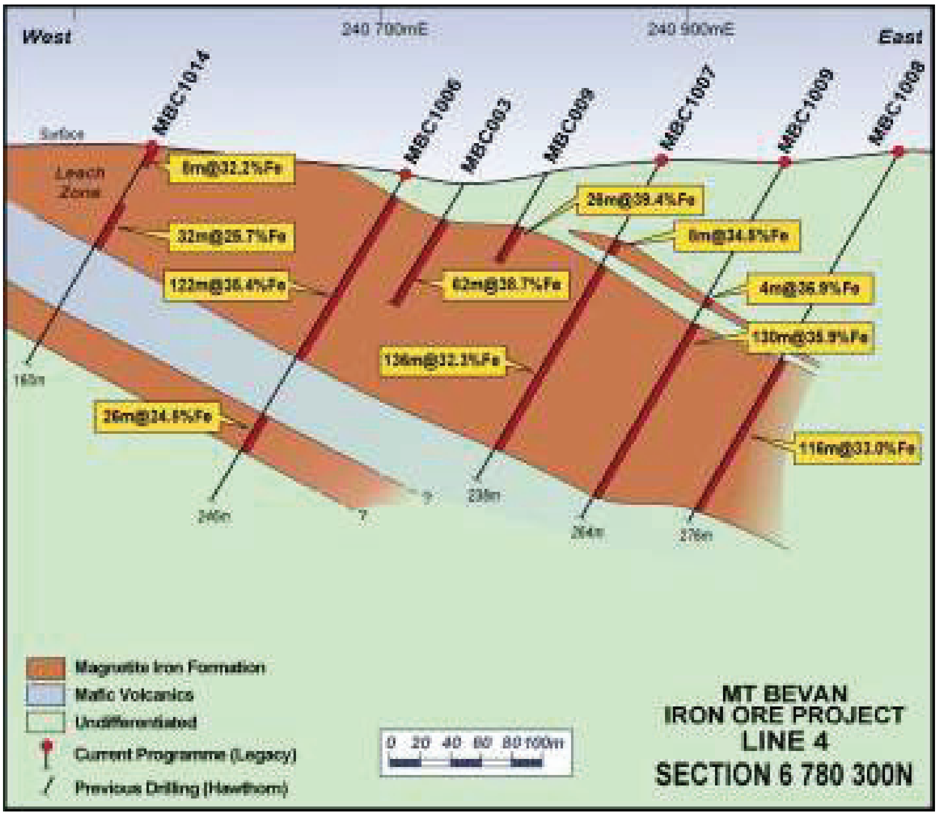
The RC drilling comprised: 5102m as 20 full depth drill holes including two twinned holes with diamond (tails), and 1106m as 7 pre-collars for diamond tails.

Diamond drilling comprised: Seven drill holes collared, one on each infill drilling line. A further tail was drilled when poor ground conditions were encountered on drill hole MBC 1053 during RC drilling.

This drilling targeted a central two-kilometre strike length of the ten-kilometre long magnetite resource at the Western BIF target. This infill drilling was located between previous drill lines 3 to 5. Drilling cross sections for these drill lines are shown in Figure 7 below.

OPERATIONS' REPORT (continued)





OPERATIONS' REPORT (continued)

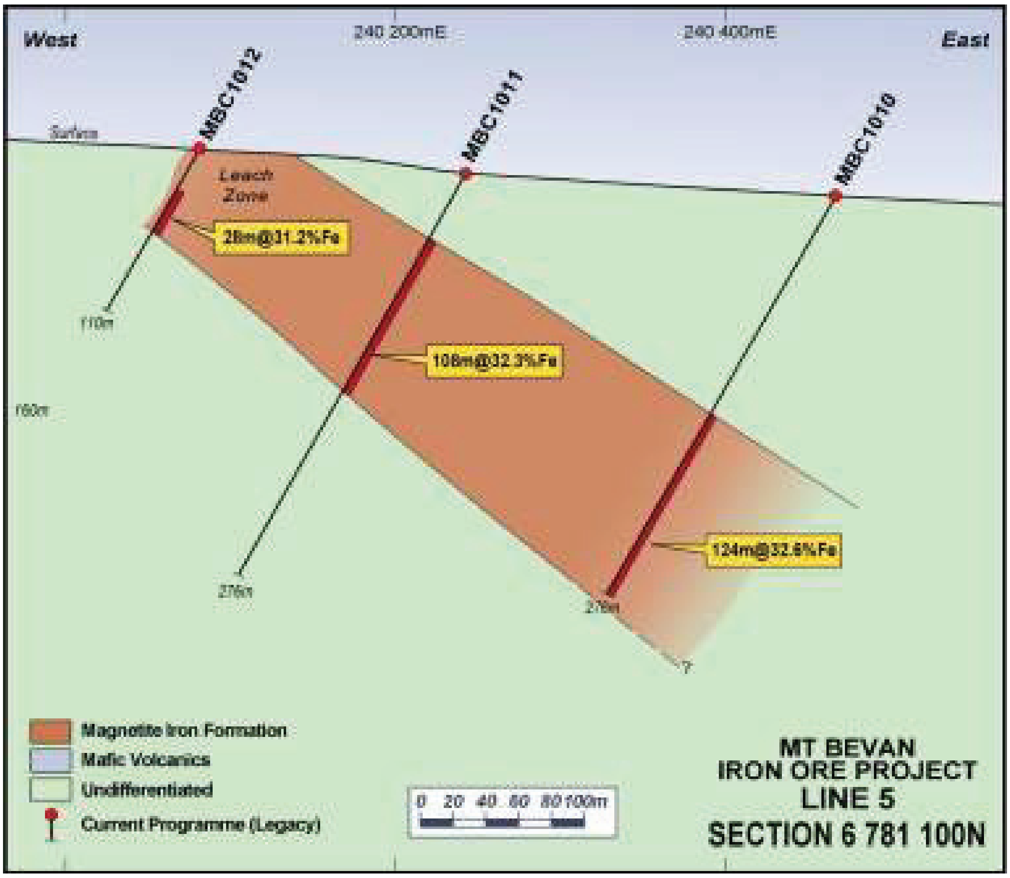


Figure 7 Drilling Cross Sections – Lines 3 to 5

The Phase 3 infill drilling was on a 250m x 160m grid pattern, and intersected the magnetite body in all drill holes. The drilling successfully confirmed similar geology, thicknesses and geometry to that seen in the earlier broader spaced drilling on Lines 3, 4 and 5.

Tables 1 and 2 provide a summary of RC and diamond drilling assay results for the infill drilling program. Appendix 1 provides details of the drill hole locations and drilling/sampling methodology.

The head Fe assays obtained during this program are very similar to those obtained from earlier broader spaced drilling.

OPERATIONS' REPORT (continued)

Table 1

Phase 3 - Significant RC drilling intersections

Hole ID	From Meters	To Meters	Interval Meters	Fe % (25 % lower cut)
MBC1043	21	115	94	36.73
MBC1043	123	131	8	31.21
MBC1043	199	207	8	27.31
MBC1044	87	93	6	37.17
MBC1045	135	141	6	31.88
MBC1047	69	80	11	35.65
MBC1048	43	151	108	35.42
MBC1049	19	137	118	34.89
MBC1052	72	80	8	33.26
MBC1052	90	130	40	38.77
MBC1052	134	224	90	32.95
MBC1053	68	74	6	34.96
MBC1053	88	152	64	37.50
MBC1054	0	16	16	39.43
MBC1054	20	24	4	30.77
MBC1054	28	100	72	34.61
MBC1054	108	114	6	34.60
MBC1055	62	68	6	35.10
MBC1055	86	186	100	37.41
MBC1055	194	206	12	31.42
MBC1056	82	90	8	36.16
MBC1056	108	146	38	38.45
MBC1056	150	202	52	34.68
MBC1056	206	218	12	33.42
MBC1057	218	222	4	27.79
MBC1057	228	232	4	36.05
MBC1057	244	264	20	35.51
MBC1057	274	358	84	33.64
MBC1058	120	126	6	36.69
MBC1058	144	226	82	37.55
MBC1058	234	278	44	32.29
MBC1059	152	160	8	35.85
MBC1059	166	214	48	39.38
MBC1059	218	294	76	32.21
MBC1059	300	316	16	30.79
MBC1060R	250	258	8	37.39
MBC1060R	256	260	4	33.37
MBC1060R	258	284	26	37.94

OPERATIONS' REPORT (continued)

Table 1 (continued)

Phase 3 - Significant RC drilling intersections (continued)

Hole ID	From Meters	To Meters	Interval Meters	Fe % (25 % lower cut)
MBC1060R	290	294	4	34.62
MBC1060R	308	312	4	31.58
MBC1060R	314	348	34	30.71
MBC1061	164	170	6	36.54
MBC1061	182	204	22	37.37
MBC1061	216	252	36	37.49
MBC1061	264	300	36	31.09
MBC1062	174	182	8	33.18
MBC1062	194	202	8	37.86
MBC1062	212	316	104	35.04
MBC1063	150	156	6	38.27
MBC1063	168	176	8	35.30
MBC1063	184	200	16	37.50
MBC1063	206	290	84	32.63
MBC1064	142	170	28	39.34
MBC1064	174	198	24	34.86
MBC1064	206	258	52	36.07
MBC1064	262	266	4	31.77
MBC1064	270	286	16	30.26
MBC1065	222	226	4	28.60
MBC1065	250	286	36	38.13
MBC1065	294	358	64	32.16
MBC1066	192	196	4	37.69
MBC1066	212	252	40	39.02
MBC1066	256	332	76	32.47
MBC1067	284	324	40	30.02
MBC1068	202	208	6	32.01
MBC1068	224	270	46	36.44
MBC1068	274	280	6	25.70
MBC1068	298	354	56	32.28
MBD1045	160	217.37	57.37	37.94
MBD1045	226	250	24	32.07
MBD1045	262	282	20	29.28
MBD1050	173	224.8	51.8	38.37
MBD1050	229	309	80	32.33
MBD1050	313	336.14	23.14	31.80

OPERATIONS' REPORT (continued)

Table 2

Phase 3 – Significant diamond drilling intersections

Hole ID	From Meters	To Meters	Interval Meters	Fe % (25 % lower cut)
MBD1044	114	221	107.00	35.36
MBD1046	243	252	9.00	32.60
MBD1046	265	302	37.00	39.37
MBD1046	311	353	42.00	33.92
MBD1046	362	392	30.00	31.34
MBD1047	80	179	99.00	36.71
MBD1047	184	197	13.00	30.56
MBD1051	270	316	46.00	37.94
MBD1051	320	328	8.00	35.87
MBD1051	337	380	43.00	34.34
MBD1051	384	388	4.00	29.86
MBD1054	26	99	73.00	35.02
MBD1054	103	111	8.00	31.69
MBD1037	77	217	140.00	37.06
MBD1053	152	215	63.00	32.56

OPERATIONS' REPORT (continued)

Metallurgical Test Work

Comprehensive metallurgical test work has been undertaken on the Mt Bevan magnetite mineralisation supervised by Calibre Global. This includes routine Davis Tube Recovery ("DTR") testing on 6m composites (based on grind liberation curve test work tailored to the mineralisation), LIMs testing, and Bond Work Index test work.

DTR testing of mineralisation intersected in phase 2 drilling has produced very similar results to that of previous drilling. Using a relatively **coarse grind size of P80/50 – 55 microns**, DTR testing shows excellent achievable grades of **69 – 70% Fe** with **high weight recoveries of circa 45%.** Silica content at this relatively coarse grind remain low, averaging **3 - 4 %** with very low sulphur and phosphorus.

These outstanding results place the Mt Bevan magnetite resource at the highest quality level of West Australian magnetite projects, particularly in the low silica component of the concentrate. Most peer projects show DTR concentrate silica in the 4.5% to 6% range and require a more costly finer grind. Put simply, even with a lower cost coarse grind size, Mt Bevan magnetite can produce a premium concentrate with low silica. More importantly, there is no requirement for a flotation circuit as is common for many WA magnetite projects.

The DTR results indicate that a high purity magnetite concentrate can be produced. The project therefore has the potential flexibility to produce either normal Blast Furnace ("BF") grade pellets (silica < 5.5%) which may be produced at a coarser grind size, or premium Direct Reduction ("DR") grade pellets (silica < 3%) at a finer grind size.

Low Grinding Costs

Comprehensive testing on diamond core samples by Ammtec, also known as ALS Metallurgy (ASX: ALQ) has provided a Bond Work Index of 11kWh/t. This is relatively soft for magnetite BIF mineralisation. In comparison, most WA magnetite BIF projects have a Bond Work Index of circa 18 – 20 kWh/t.

Low Operating Costs

The combination of being able to produce a quality concentrate at a relatively coarse grind and the soft nature of the mineralisation has a very significant positive economic impact for a mining project at Mt Bevan. A major component in OPEX (Operating Expenses) in magnetite projects is power consumption. Preliminary energy calculations based on the grind and bond work index indicate the power requirements of only 12 kWh/t – which is very low compared to that of about 30 kWh/t for typical Western Australian magnetite projects.

Project Update

Under the terms of the Mt Bevan Joint Venture agreement with Hawthorn, Legacy Iron has the right to earn a 60% interest in the Mt Bevan project by spending a minimum $3.5 million on exploration. Legacy has fulfilled its obligations and now holds a 60% interest in the project and is the project manager.

The Joint Venture has a four-member Technical Committee comprised of two representatives from Legacy Iron and Hawthorn, each with equal voting rights. The Technical Committee is currently considering a budget for a work program which includes upgrading the existing Mineral Resource Estimate to an Indicated Resource and a scout drilling program focussed on direct shipping hematite targets at Mt Mason North and Mt Alexander.

At present, Legacy has incurred approximately $1.5 million expenditure above the $3.5 million earn-in amount. The amount has not been validated by Hawthorn at this stage and the Joint Venture is in discussions about reimbursement.

(Full details of the project are available at the company website www.legacyiron.com.au)

OPERATIONS' REPORT (continued)

Pilbara Iron Ore and Manganese Projects

The Company has iron ore and manganese projects in the Pilbara region of Western Australia (*Figure 8*). These projects are proximal to existing iron and manganese ore resources and infrastructure.

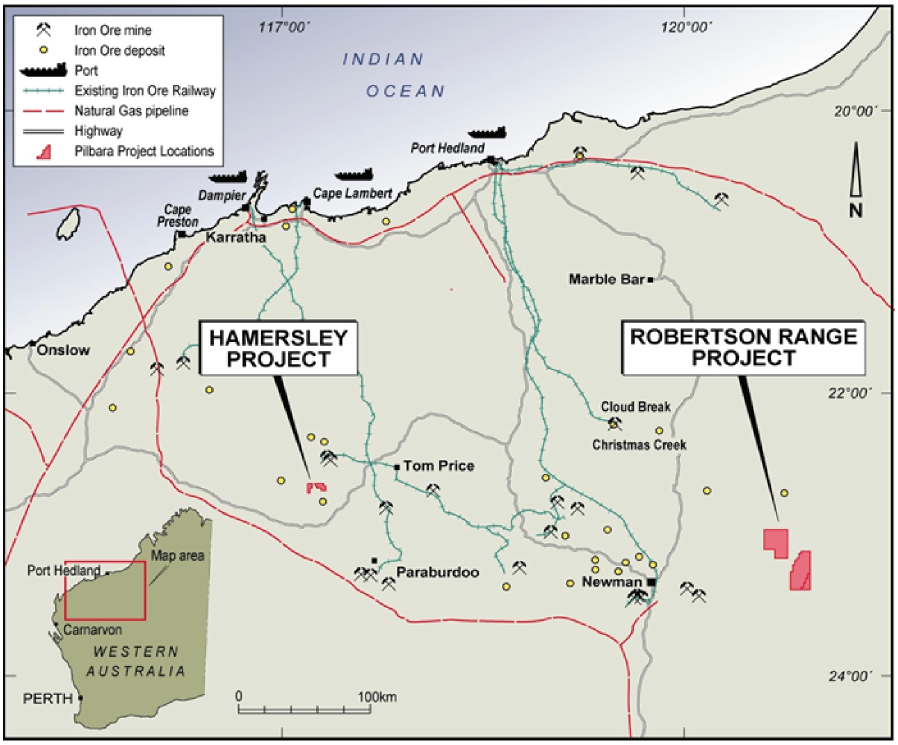


Figure 8: Iron Ore and Manganese Project Locations

Robertson Range Project

The Robertson Range Project lies 100km - 120km east-northeast of Newman in the East Pilbara of Western Australia. The project comprises two granted Exploration Licences (E45/3395 and E46/818) and an Exploration Licence application (E45/3394) covering an area of some 800km^2. Exploration Licence E45/3395 is prospective for iron ore, whilst E46/818 is prospective for manganese.

Manganese Project

The extensive 370 square kilometre project area lies 90 km east of Newman and is located immediately south of the Nicholas Downs manganese mine (*Figure 9*). The Nicholas Downs mine, previously known as the Balfour Downs deposit, is being developed by a joint venture comprising Hancock Prospecting Pty Ltd and PMI (Mineral Resources Ltd). Mining has recently commenced at this high grade manganese orebody which has a reported resource base of some 20 million tonnes (JORC – inferred), with a targeted production of 600,000 tonnes per annum of 38% manganese ore*.

*Hancock Prospecting Pty Ltd, 2011 website

OPERATIONS' REPORT (continued)

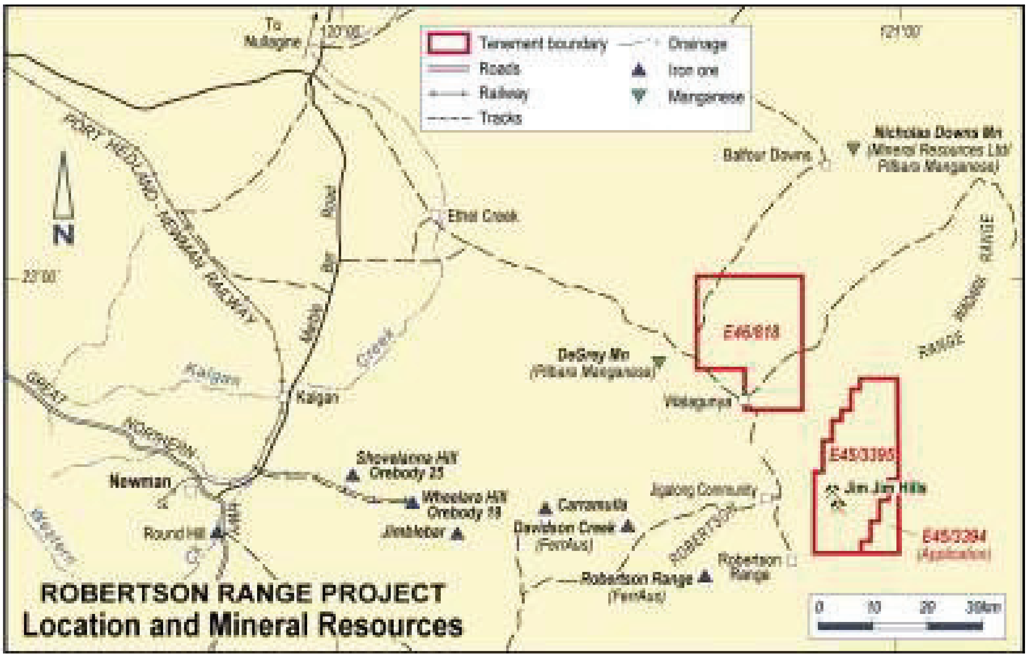


Figure 9: Manganese Project Location (E46/818)

Previous work had shown that most of the tenement is underlain by Balfour Formation manganiferous shales, masked in part by surprisingly thin alluvial cover. The shales are host rocks to the major Nicholas Downs manganese mine located some 25km along strike to the NNE.

Three manganese bearing prospects have now been identified in the southern more exposed part of the project area (*Figure 10*).

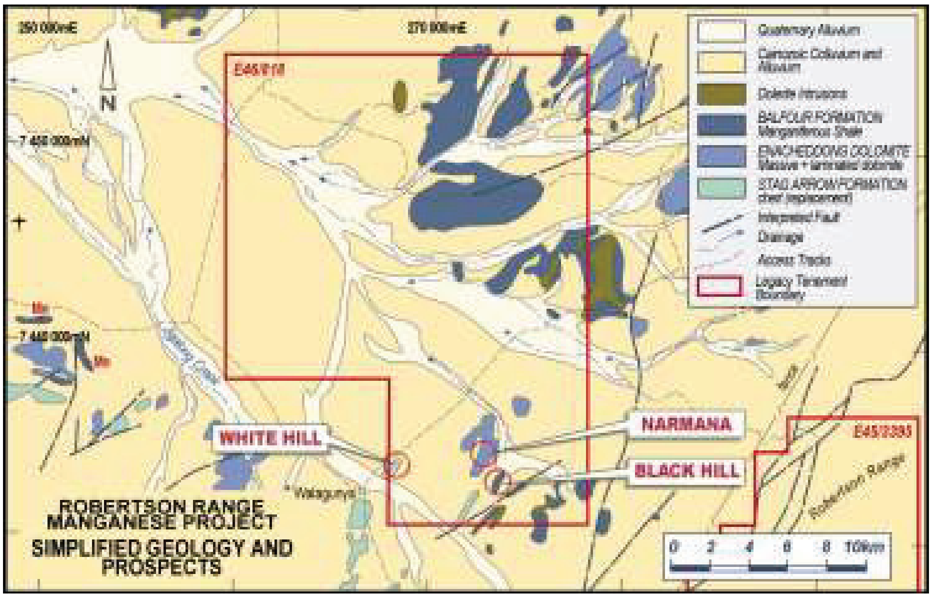


Figure 10: Robertson Range manganese prospects

OPERATIONS' REPORT (continued)

Of particular note is the discovery of significant manganese mineralisation at the **Black Hill prospect** – a low hill covering an area of approximately 300m x 100m . There is extensive outcrop of the Balfour Formation shales that show strongly developed manganese mineralisation (*Figure 11*). The hill lies immediately north of a substantial fault mapped by the GSWA, and is proximal to several dolerite outcrops. This low hill has contacts obscured on all sides by alluvial wash, and may be the outcropping part of a larger body. A total of 7 rock chip samples were taken over the hill and assayed by XRF by SGS Laboratory, Perth. The samples **assayed in the range 10.6 – 33.3% manganese (average 21.8%).**

Figure 11: Outcropping manganese mineralisation in Balfour Formation

OPERATIONS' REPORT (continued)

Following a helicopter borne magnetic survey and ground gradient EM survey, a scout drilling program was completed in early 2013. A total of 5 scout RC drill holes for 270m were drilled in this program, with all holes intersecting mineralisation.

The program included the ability to drill up to 12 holes, but due to native heritage considerations, only 5 were drilled during this program. The location of the drill holes are shown in Figure 12 below, in relation to the conductivity anomalies produced from the earlier ground IP survey. Table 3 shows a summary of drilling results.

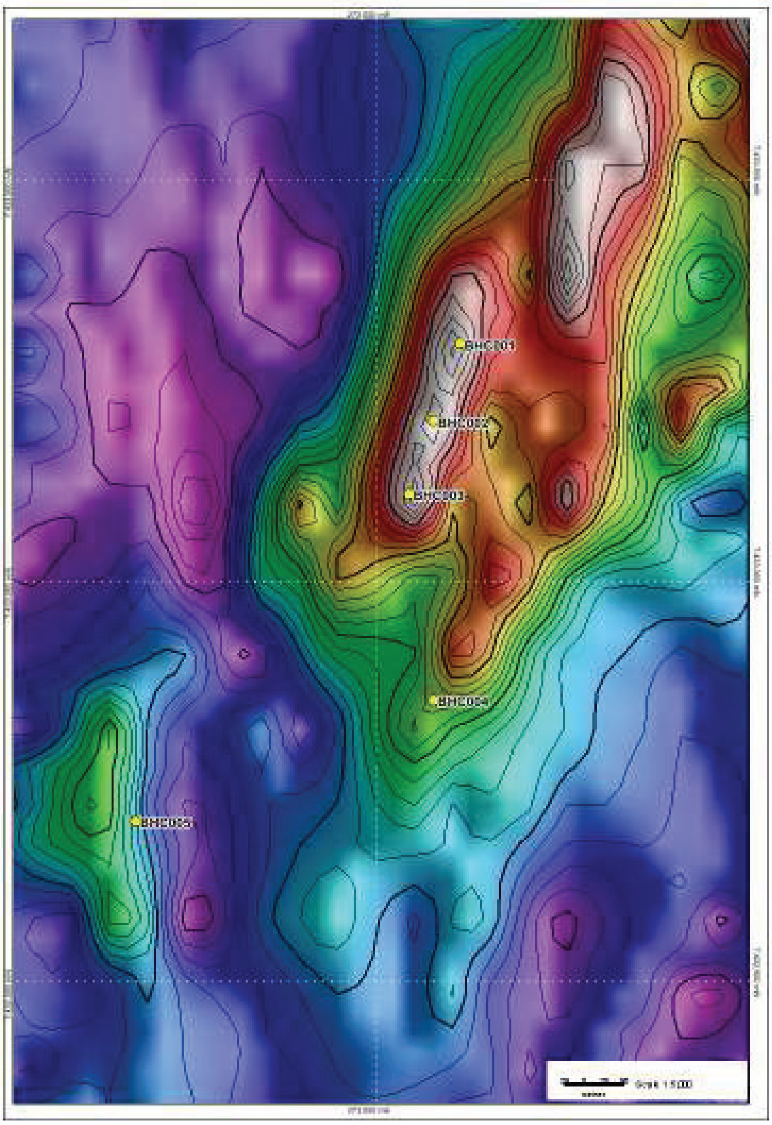


Figure 12: Location of scout RC drill holes at Black Hill prospect showing IP conductivity anomalies

OPERATIONS' REPORT (continued)

Table 3 Scout RC Drilling – significant intersections

Drill hole	Easting (m)	Northing (m)	Azimuth degrees	Dip degrees	From (m)	To (m)	Thickness (m) #	MnO %
BHC001	273605	7433296	0	-90	3	16	13	11.35
BHC002	273572	7433199	0	-90	3	16	13	13.53
BHC003	273541	7433108	0	-90	1	14	13	13.55*
BHC004	273572	7432851	0	-90	6	12	6	11.11
BHC005	273200	7432700	0	-90	4	8	4	11.49

*Includes 6 -7m: 1.0m @ 22.4% Mn. #The true width of intersections is estimated to vary between 60 – 75% of the drilling intersections noted above ## Further information regarding the drilling program and assaying is shown in Appendix 1.

The scout drilling intersected a thick sequence of low to medium grade manganese mineralisation hosted by the Balfour shale/siltstone sequence. Three drill holes produced 13m intersections grading an average 12.8% manganese from shallow depths of 1 to 3 m below surface. The highest individual intersection was 1m at 22.4% manganese. Though not ore grade material (eg OM Holdings Bootu Creek mine has a mined grade of approximately 23% manganese), the results are encouraging particularly in the context of the thickness and potential (undrilled) size of the prospect.

Discussion with native heritage parties regarding future drilling is in progress.

OPERATIONS' REPORT (continued)

GOLD

Legacy's major interest lies in the South Laverton region, where the company holds some 460 square kilometres of prospective ground (Figure 13). The South Laverton project area lies along the Keith Kilkenny Tectonic Zone ("KKTZ") and the southern part of the Laverton Tectonic Zone ("LTZ"). These structures host numerous major gold mines, with the LTZ in particular hosting gold resources of some 20 million ounces. Drilling has defined several JORC compliant gold resources on Legacy tenements totalling 121,454 oz at Mt Celia, Yilgangi and Yerilla projects # (Table 4).

previously reported to ASX in detail

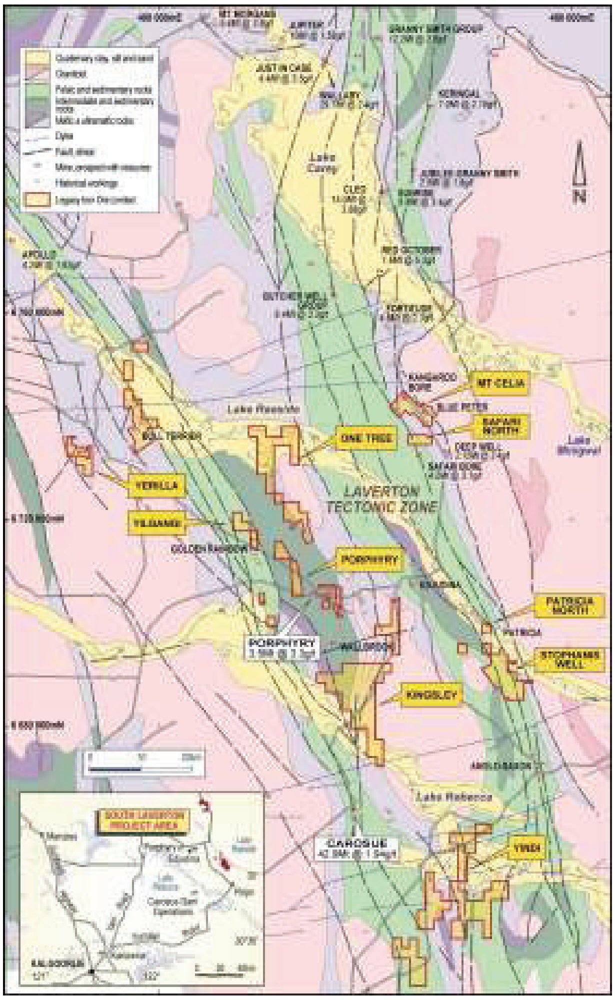


Figure 13: South Laverton Gold Project - Tenement Locations

OPERATIONS' REPORT (continued)

Table 4: LEGACY IRON ORE LIMITED
JORC COMPLIANT RESOURCES - GOLD

PROJECT	DEPOSIT	JORC Resource Category	LOWER CUT OFF	TONNAGE	GRADE	GOLD
			g/t Au	Tonnes	g/t Au	oz
Mt Celia	Kangaroo Bore	Indicated	0.7	1,037,000	1.4	46400
	Blue Peter	Inferred	1.0	239,232	3.97	30554
Yerilla	Bull Terrier	Inferred	1.0	527,000	1.92	32500
Yigangi	Golden Rainbow	Inferred	1.0	204,600	1.83	12000
Total Gold oz						**121454**

Only limited exploration was conducted on the South Laverton gold tenements during the year due to other exploration priorities.

Yundamindera Project

Legacy Iron Ore has signed an indicative term sheet with the Ling prospecting syndicate on a contiguous package of gold tenements termed the Yundamindera Project. The project comprises eight prospecting licences and an exploration licence covering an area of some 51 square kilometres (Figure 14).

OPERATIONS' REPORT (continued)

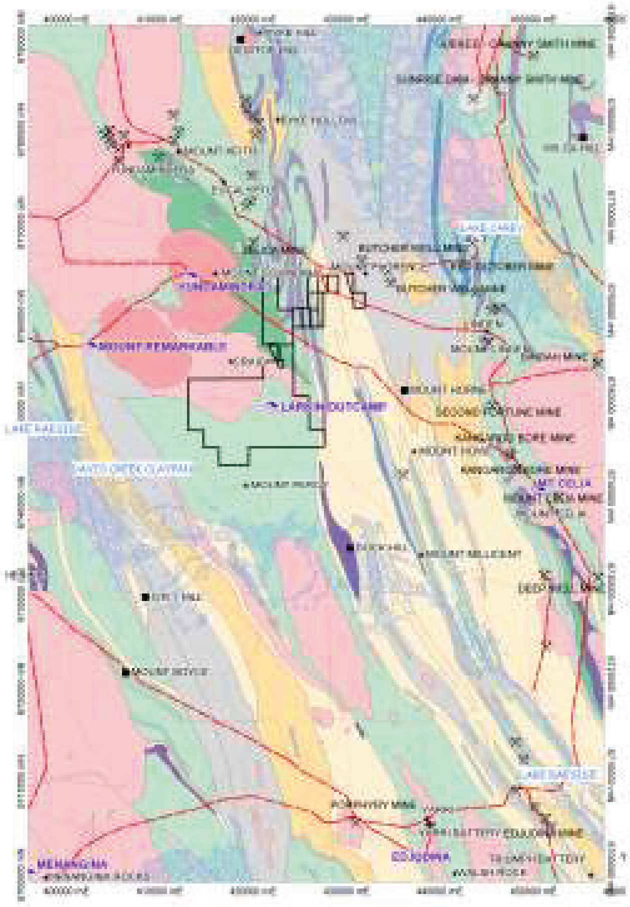


Figure 14: Location of Yundamindera gold project

Under the terms of the Term Sheet and subject to the completion of due diligence, Legacy Iron can earn a staged interest in the project area by committing exploration funds of $150,000 and a further $250,000 to earn a 60% and 80% interest respectively.

Legacy Iron must spend at least $100,000 prior to withdrawal, of which $50,000 is to be expended in direct drilling costs.

At completion of the earn-in period, the parties will contribute expenditure pro-rata with normal dilution clauses applying. The vendors will remain at a minimum of 10% interest post any dilution.

In the event a decision is made to commence a Bankable Feasibility Study, the Vendors will contribute in proportion to their interest at the time, or withdraw from the Joint Venture and convert its Joint Venture interest to a 2% Net Smelter Royalty.

The agreement also provides for the initial payment of some $30,000 cash plus reimbursement for tenement costs, as well as $30,000 equivalent in Legacy Iron fully paid shares.

The tenements are located some 30km north west of Legacy Iron's major Mt Celia gold project (Figure 14). The region is highly prospective with the world class Sunrise Dam, Wallaby and Sunrise Dam gold mines located some 20 – 30km to the east and north-east, which have total resources circa 20Moz gold. Recent gold exploration and resource drilling in the area includes Linden/Second Fortune (Exterra Resources Ltd) and Red October and Tin Dog (Saracen Mineral Holdings Ltd).

OPERATIONS' REPORT (continued)

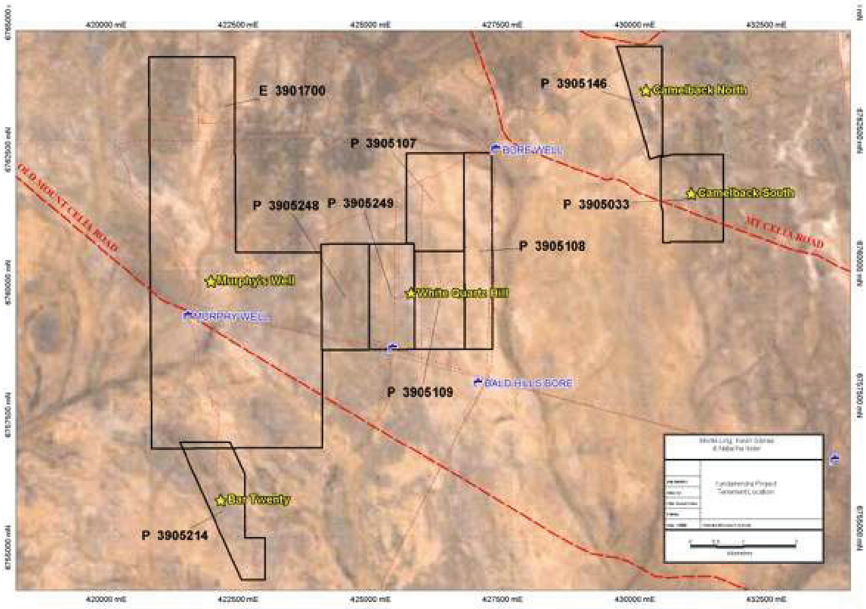


Figure 15: Yundamindera Project tenements

Of major interest to Legacy Iron is the White Quartz Hill gold prospect (Figure 16).

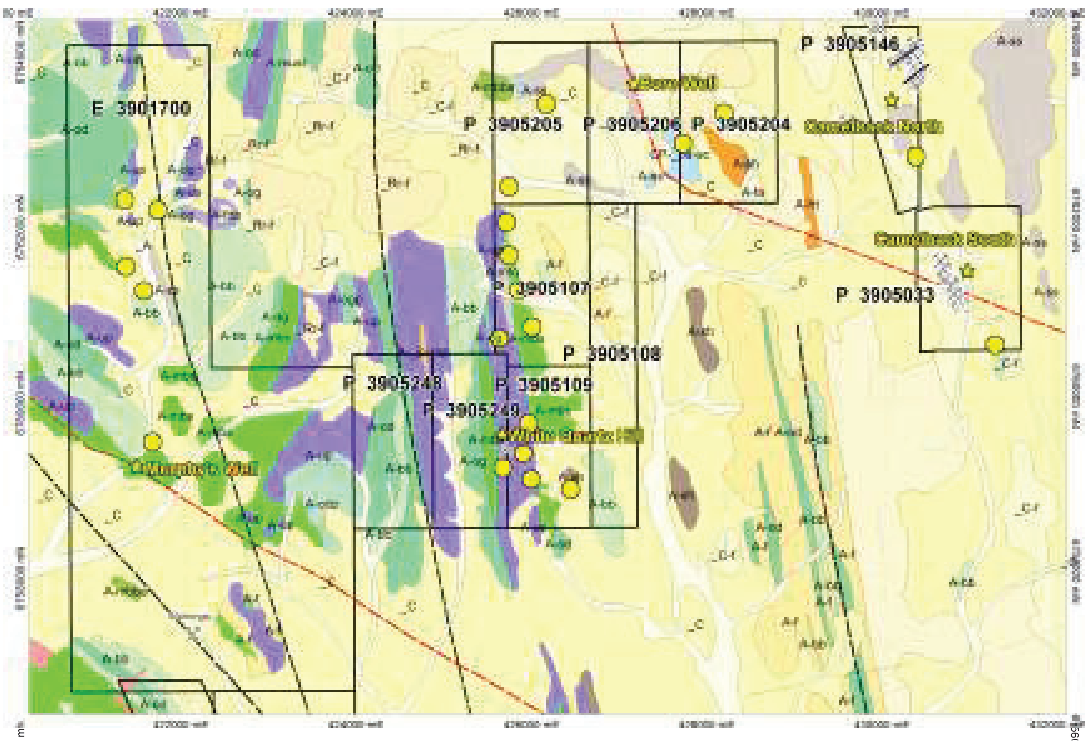


Figure 16: White Quartz Hill Prospect – Tenure and Geology

The prospect takes the form of a large broad hill topped by a 300m long white quartz reef. This reef is of buck quartz with little gold mineralisation, and the flanks of the hill have much of this buck quartz float. However, there are several other sets of narrow quartz veining, some of which have been shown to contain strong visible gold (Figure 17).

OPERATIONS' REPORT (continued)

The current vendors have opened up a small test pit onto one of these auriferous quartz veins using a small backhoe, down to a depth of a few metres (Figure 18) These vein sets and accompanying stockworks and breccias occur within typically strongly altered ultramafic and felsic lithologies. There has been no historic workings on this prominent hill and no drilling to date.

This is quite remarkable and is explained by the large buck quartz reef and float derived from it which when dollied or assayed would have produced negligible gold. The auriferous veins are thinner and on the flanks of the hill masked by the buck quartz float.

Figure 17 Visible coarse gold in quartz veins at the White Quartz Hill gold prospect

The high grade quartz veins, structural complexity and widespread alteration all indicate an excellent potential for defining a significant gold resource.

A heritage clearance has already been received for the prospect area, and drilling is programmed to commence upon completion of mapping and statutory approval.

OPERATIONS' REPORT (continued)

Figure 18 Auriferous quartz veins exposed in recent test pit

The Term Sheet is subject to the completion of normal due diligence (now completed), including any necessary legal and regulatory approval, and remains subject to Legacy Iron board approval.

The Company has completed of technical due diligence as is now working towards gaining the necessary regulatory approvals.

East Kimberley Project

The East Kimberley Project tenements are located in the Halls Creek area. Halls Creek is located 347km south of Kununurra and is readily accessible via the sealed Great Northern Highway. These tenements currently comprise three exploration licences – Koongie Park, Mt Bradley and Antrim Plateau *(Figure 19)*.

OPERATIONS' REPORT (continued)

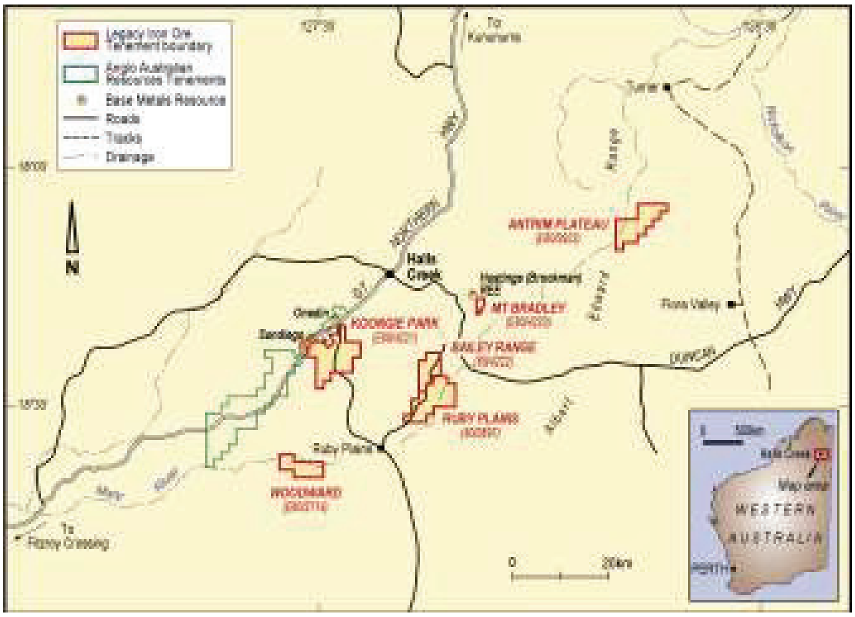


Figure 19: Location of East Kimberley Projects

Previous exploration including helicopter-borne geochemical sampling has highlighted the following tenements as having potential for significant mineralisation:

- Koongie Park (E80/4221) – Volcanogenic Hosted Massive Sulphide deposit ("VHMS") base metal mineralisation (i.e. Doolgunna/Degrussa, and Bentley/Jaguar style).
- Antrim Plateau (E89/3923) – manganese and copper mineralisation.
- Mt Bradley (E80/4220) – manganese and Rare Earth Elements (REE) mineralisation.

Koongie Park

Legacy Iron holds exploration licence E80/4221 that is contiguous with ground under exploration by Anglo Australian Resources Limited (AAR) at its Koongie Park VHMS base metals deposit. AAR has defined substantial base metal/gold/silver mineralisation in two deposits to date, with a total JORC resource (Indicated and Inferred) of 8Mt at 3.3% zinc, 1.2% copper, 0.3g/t gold and 23g/t silver. AAR has also recently outlined a shallow supergene high grade copper resource.

The style of mineralisation (VHMS) is similar to that found at Sandfire Resources' Doolgunna discovery and at the Teutonic Bore/Jaguar/Bentley deposits of Independence Group. This style of deposit is known worldwide to occur in clusters and often the early discoveries in these camps are not the largest.

Recent high resolution aeromagnetic data has shown the presence in Legacy Iron's ground of substantial areas of the same stratigraphic units that host the AAR base metal mineralisation (*Figure 20*). These lie largely under shallow alluvial plain cover.

OPERATIONS' REPORT (continued)

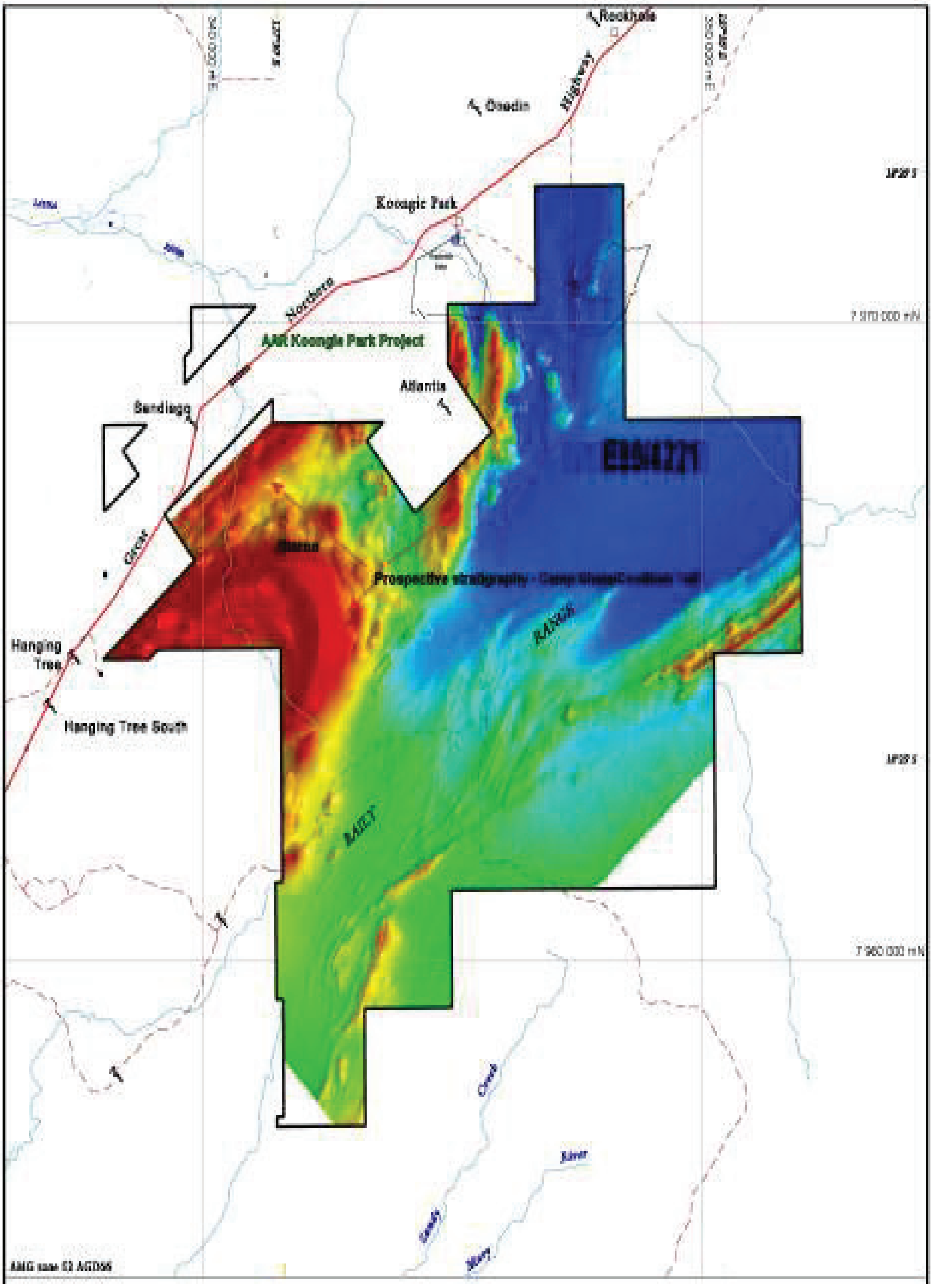


Figure 20: Koongie Park – high resolution aeromagnetics
(red = high magnetic stratigraphy equating to magnetite bearing members of prospective Camp Shale Member)

Fieldwork was aimed at validating these similar trends as much as possible in the field. The host Camp Shale unit was found to outcrop only in the most northern sector. However, weathering resistant tourmaline rich cherts were found as sparse outcrop and sub-crop in the southern sector within open alluvial plain. These are indicative of submarine exhalative processes related to VHMS mineralisation (*Figure 21*).

OPERATIONS' REPORT (continued)

Figure 21: Koongie Park – outcropping tourmalinite chert horizons

At one occurrence, the **Jillaroo prospect**, the chert horizon contains a substantial gossan (representing weathered, leached sulphide mineralisation). Assays were taken using a portable Niton XRF unit. These showed substantially elevated base metal concentrations to 994 ppm zinc, 173 ppm copper, and 253 ppm lead (*Figures 22 and 23*).

Figure 22: Jillaroo prospect – tourmalinite chert with gossan

OPERATIONS' REPORT (continued)

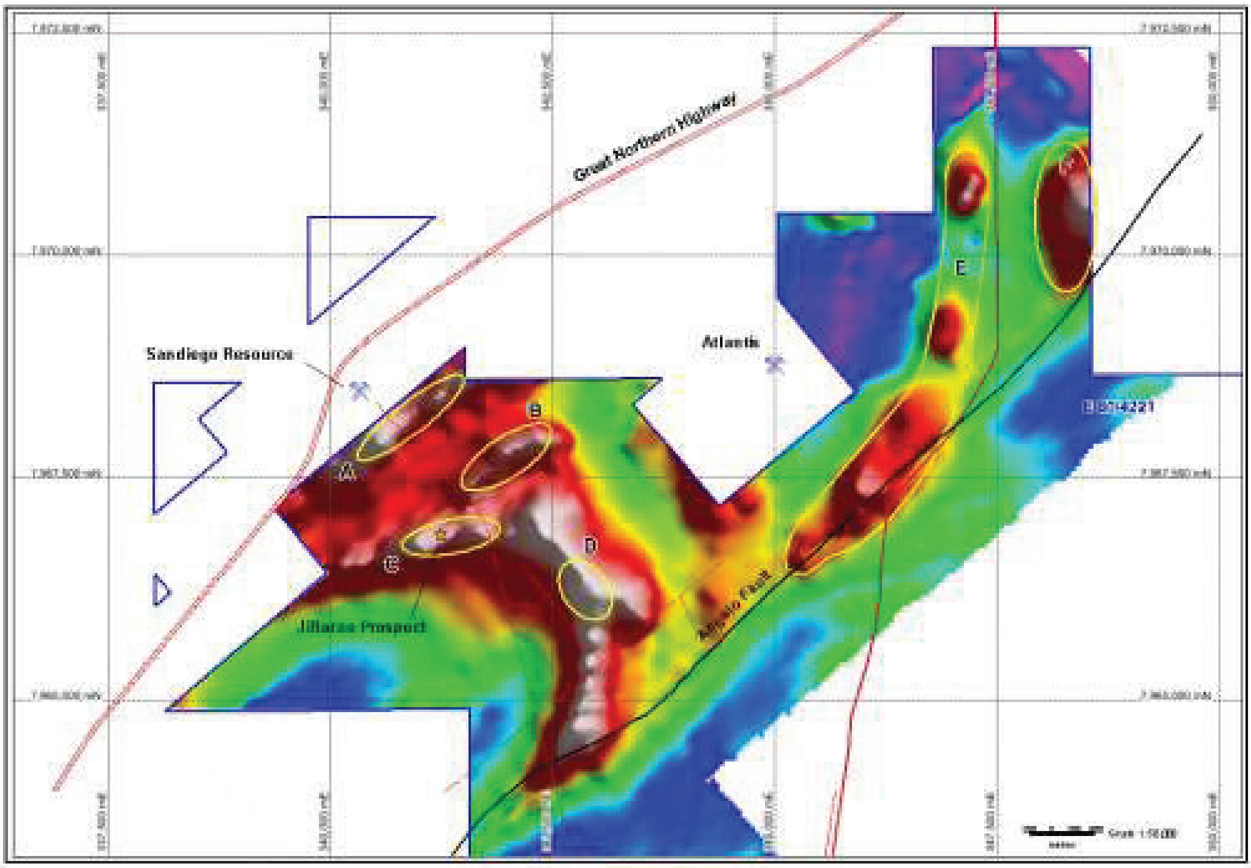
Figure 23: Jillaroo prospect – gossan

This reconnaissance work clearly indicates the excellent potential of the Legacy Iron ground to host VHMS mineralisation.

Airborne high resolution aeromagnetic data was acquired and processed by geophysical consultants Core Geophysics.

A recent HELITEM survey over the northern part of the project area produced several significant conductors, one of which is associated with the Jillaroo prospect gossan (ASX announcement - 15 March 2013). Modelling of most of these conductors has been completed. With reference to Figure 24, the most significant results of this modelling are:

OPERATIONS' REPORT (continued)



(Channel 15 – midtime)

Figure 24: 3D plan of HELITEM conductors

A to D: Conductors associated with the VHMS basemetal prospective volcanosedimentary stratigraphy. This stratigraphy is masked by shallow alluvium. Conductors are moderately to steeply dipping with modelled tops being shallow (60 – 90m)

E and F: These conductors are associated with the major Angelo Fault with the most significant conductors occurring on the fault at interpreted splay fault induced dilational zones. These conductors have been modelled with tops 175 – 205m deep.

The recent high grade copper discovery by Cazaly Resources Ltd (ASX announcement on 20 June 2013) lies immediately to the south in similar stratigraphy. Drilling is planned for all the conductors. Statutory permission has been received for the drilling program and a heritage clearance survey is to be conducted shortly following a recent meeting with native title parties.

OPERATIONS' REPORT (continued)

Mt Bradley

Mt Bradley lies immediately adjacent to the Hastings (aka Brockman) REE resource being drilled by Hastings Rare Metals Limited. Hastings has a JORC-compliant resource exceeding 22Mt grading 0.795% ZrO_2, 0.31% Nb_2O_5, 0.023% Ta_2O_5 and heavy REE grades of 0.10% Y_2O_3, with potential for significant quantities of heavy REE including dysprosium and yttrium. Mt Bradley is one of the most advanced REE resources in Australia, having been the subject of major drilling and trial plant scale metallurgical testing by Union Oil Development Corporation during the 1980s. The high Niobium content of the resource is of particular economic interest.

The REE mineralisation is hosted by tuffaceous rhyolitic volcaniclastics of the Brockman Volcanics – the 'Niobium Tuff'. Similar rhyolitic to alkalic intrusives are known to occur within the Mt Bradley tenement and were highlighted in a recent Geological Survey of WA assessment. These have received little attention due to the past focus on gold exploration, and low REE prices.

Fieldwork at Mt Bradley was curtailed due to access problems and other exploration priorities – the area is extremely rugged, with vehicular access at present only to the southern part due to wash outs. Helicopter borne mapping and geochemical sampling is planned for the coming field season.

Figure 25: Mt Bradley Project – view to north

COAL

The Legacy Iron coal projects are located in the productive Surat and Mulgildie coal basins and are close to major roads and the rail network (Figure 26). Substantial coal investments have been made nearby by BHP, Xstrata and, more recently, a number of major Indian corporations.

Queensland Coal – Mundubbera Project

A scout drilling program comprising 11 broadly spaced chip drill holes was completed at the Mundubbera Project. Geophysical down-hole logging is in progress and results are awaited.

The project area comprises tenements EPC 2303 and 2304 (Figures 27 and 28) that overlie part of the Northern Surat and Mulgildie basins. The target is shallow thermal and coking coal measures within the Jurassic age Evergreen Formation. Sparse water bore data indicates that multi-seam shallow coal (<100m) occurs within this formation within the project area.

OPERATIONS' REPORT (continued)

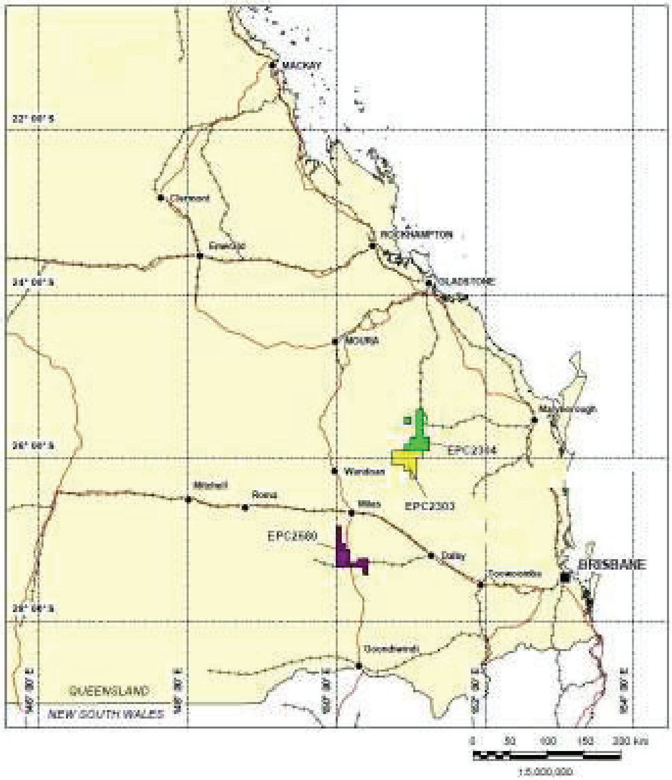


Figure 26: Location of Queensland Coal Projects

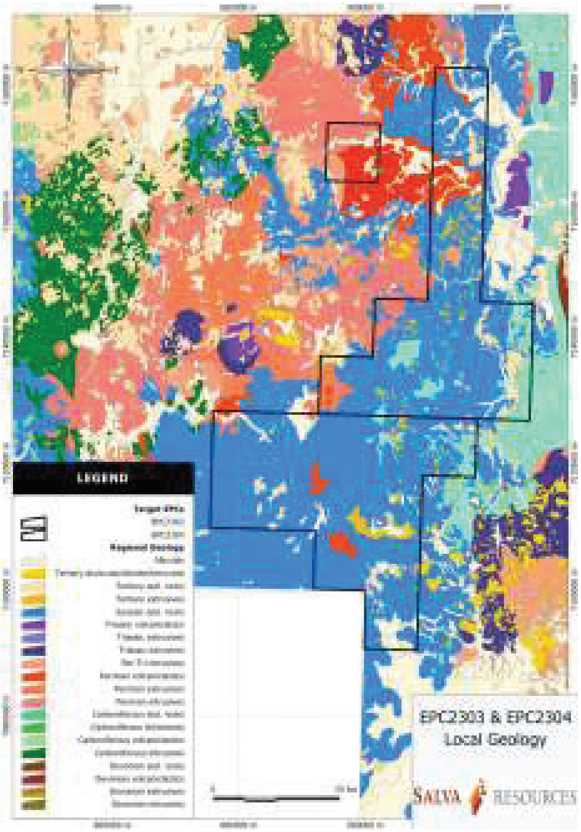


Figure 27: Regional Geology of Mundubbera Project area

OPERATIONS' REPORT (continued)

Drilling was completed during the quarter. Of the 11 chip holes, two intersected shallow coal seams within EPC 2303 (Figure 28 and Table 5).

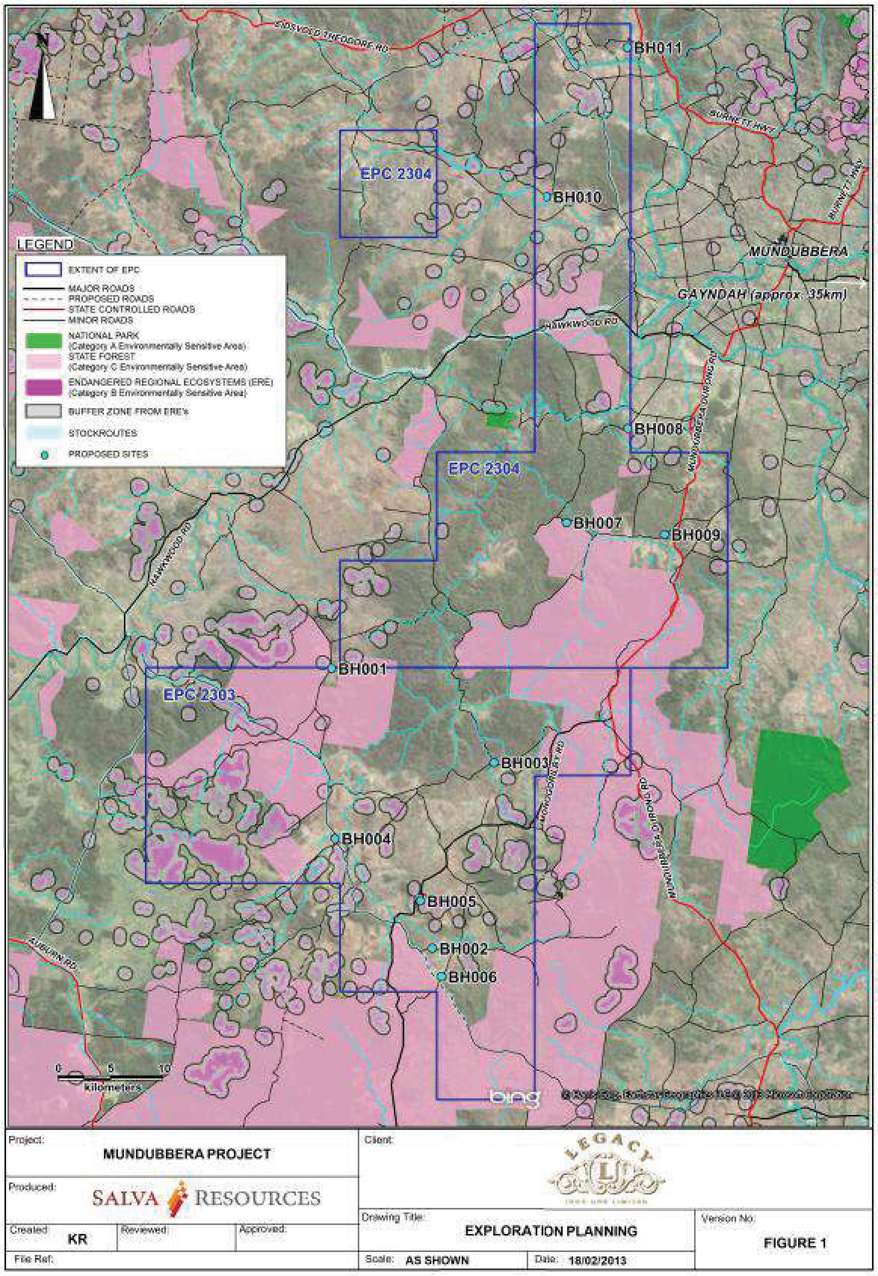


Figure 28: Location of scout drill holes

OPERATIONS' REPORT (continued)

Site ID	Borehole ID	Base of Tertiary (m)	Base of Weatherin g (m)	Water Level (m)	Coal Depths (m)	Total Depth (m)
LEG009	BH001	5.10	21.00	13.00	N/A	37.00
LEG006	BH002	6.90	13.40	12.10	20.60 - 20.85	120.00
LEG004	BH003	2.00	16.00	19.50	N/A	79.00
LEG008	BH004	4.00	56.00	24.00	N/A	79.00
LEG007	BH005	14.00	49.50	18.00	N/A	64.00
LEG005	BH006	4.25	24.75	8.85	32.30 - 32.64	120.00
LEG011	BH007	7.50	73.00	27.10	N/A	120.00
LEG003R	BH008	8.00	74.00	41.00	N/A	108.00
LEG010	BH009	N/A	45.00	32.00	N/A	84.00
LEG002	BH010	24.00	65.00	6.00	N/A	71.00
LEG001	BH011	2.00	64.00	11.00	N/A	121.00

Table 5: Geological horizons intersected per drill hole

In BH002 and BH006 which are located towards the south of EPC2303 thin coal measures were intersected at 20.60m and 32.30m respectively with 25cm of coal in BH002 and 34cm of coal in B006. The coal intersected suggests that the Jurassic aged Evergreen Formation has been reached. The thin coal seam intersected was observed to be shallowly dipping to the south. A review of the exploration and drilling data is in progress in order to determine future action. Drill hole planning is also in progress for the Chinchilla tenement to the south.

The company is evaluating several promising coal properties in the Southern Queensland region for both coking and thermal coal with a view to farm-in or acquisition.

Competent Person's Statement:

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves (excluding the SRK Consulting study) is based on information compiled by Steve Shelton who is a member of The Australasian Institute of Geoscientists and a full time employee of Legacy Iron Ore Limited. Mr. Shelton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Shelton consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

The information relating to the SRK Resource Estimation Report for the Mt Bevan Iron Ore Project that relates to Mineral Resources is based on work done by Andre Wulfse and Paul Hodkiewicz of SRK Consulting (Australasia) Pty Ltd. Andre Wulfse takes responsibility for the Resource Modelling, and Paul Hodkiewicz takes responsibility for the Geological Modelling. Steve Shelton of Legacy Iron Ore Limited is responsible for the integrity of the Exploration Results.

Andre Wulfse and Paul Hodkiewicz are Members of The Australasian Institute of Mining and Metallurgy and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are undertaking to qualify as a Competent Persons in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 edition). The Competent Persons consent to the inclusion of such information in this Report in the form and context in which it appears. Peter Williams undertook Peer Review of this Report. Peter Williams is a Member of the Australian Institute of Geoscientists.

Craig Williams, Principal Consultant - Geology at HDR|Salva, has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Legacy Iron Ore Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

1. DIRECTORS

The names of Directors in office during the whole of the year and up to the date of this report unless otherwise stated:

Mr Narendra Kumar Nanda, Non-Executive Chairman
Ms Sharon Heng, Executive Director & Managing Director
Mr Timothy Turner, Non-Executive Director
Mr Swaminathan Thiagarajan, Non-Executive Director
Mr Subimal Bose, Non-Executive Director

2. COMPANY SECRETARY

Mr Benjamin Donovan holds the position of Company Secretary.

3. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the exploration and evaluation of the Group's iron ore, gold and coal assets.

4. REVIEW OF OPERATIONS

- **Mt Bevan Development**

  On 19 September 2012, Legacy Iron became the 60% registered owner of the Mt Bevan iron ore project. Phase 3 resource definition drilling was carried out. Refer further to Review of Exploration Activities above.

- **Acquisition of Three Queensland Coal Projects**

  On 2 August 2012, the Group finalised the purchase of 2 Queensland coal tenements, EPC 2303 and EPC 2304, for the payment of $1,650,000 cash and the reimbursement of first year rents on the tenements. A deferred payment of $2,500,000 is conditional upon the delineation of a JORC compliant resource across EPC 2303 and EPC 2304 of no less than 100MT of thermal coal with a calorific value greater than 5,000K cal/kg.

  In December 2012, Legacy Iron finalised the purchase of its third Queensland coal tenement, EPCA 2580 from Velarium Holdings Pty Ltd with the payment of $846,591. Located in the Surat basin, EPCA 2580 covers approximately 840km2 and is close to infrastructure with major roads and rail intersecting the tenement. The Board of Directors decided not to proceed with the acquisition of the remaining tenements (EPCA 2556, 2566 and 2941).

- **Establishment of Legacy Gold Limited**

  Legacy Iron is continuing its strategic review to determine the optimal structure of its project portfolio. A newly incorporated controlled entity, Legacy Gold Limited was established with a view of transferring its gold tenements into this entity.

  During the year, Legacy Iron Ore Limited ("Legacy Iron" or the "Company") announced that it had entered into a binding term sheet with Synergy Plus Limited ("Synergy") (ASX: SNR) subject to conditions precedent including due diligence and all necessary shareholder, board and regulatory approvals including FIRB, regarding the sale of its gold and base metal projects (the "Gold Assets") in return for shares in Synergy. Following the completion of due diligence, the term sheet was terminated.

DIRECTORS' REPORT (continued)

- **Expiry and Re-issue of Options**

  On 31 December 2012, 58,885,094 options expired and an additional 56,000,000 expired on 7 January 2013. The option holders were offered new replacement options as approved by shareholders in January 2013. A total of 41,088,908 replacement options were issued to those option holders who took up the offer, raising a total of $41,089 before costs. These options were valued at $905,584 and taken to the profit and loss account.

- **Entitlement Offer**

  On 20 June 2013, Legacy Iron announced a 3:4 non-renounceable entitlement offer at 5.7 cents per share to raise a total of approximately $25 million before costs. The funds were to be used to pursue exploration and development program across its broader asset portfolio including iron ore, coal and other assets as well as to evaluate options to acquire other value accretive assets. This offer was cancelled. Refer further to section 8 of the Directors' Report.

5. OPERATING RESULTS

The Group incurred a loss after income tax of $11,947,421 for the year (2012: Loss of $9,617,052). This increased loss is a result of the following expenditure:

- Impairment of its investment in Hawthorn Resources Limited.
- The issue of options to replace those which expired on 31 December 2012 and 7 January 2013.
- The write off of abandoned exploration tenements.

The Group has cash funds on hand of $2,117,846 at 30 June 2013 (30 June 2012: $13,428,361).

6. DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the matters outlined in Section 4 above, no significant changes in the Group's state of affairs occurred during the financial year.

8. AFTER BALANCE DATE EVENTS

- **Acquisition of Yundamindera Project**

  On 9 July 2013, Legacy Iron announced it signed a term sheet with the Ling prospecting syndicate on a contiguous package of gold tenements termed the Yundamindera Project.

  Under the terms of the Term Sheet, Legacy Iron or nominee can earn a staged interest in the project area by committing exploration funds of $150,000 and a further $250,000 to earn a 60% and 80% interest respectively. Legacy Iron must spend at least $100,000 prior to withdrawal, of which $50,000 is to be expended in direct drilling costs. At completion of the earn-in period, the parties will contribute expenditure pro-rata with normal dilution clauses applying. The vendors will remain at a minimum of 10% interest post any dilution. In the event a decision is made to commence a Bankable Feasibility Study, the Vendors will contribute in proportion to their interest at the time, or withdraw from the Joint Venture and convert its Joint Venture interest to a 2% Net Smelter Royalty. The agreement also provides for the initial payment of some $30,000 cash plus reimbursement for tenement costs, plus $50,000 in fully paid shares in Legacy Iron or its spin off entity.

DIRECTORS' REPORT (continued)

8. AFTER BALANCE DATE EVENTS (continued)

- **Acquisition of Manbarrum Project**

On 26 August 2013, Legacy Iron announced that it had entered into a conditional binding term sheet with TNG Limited, to acquire the 100% owned Manbarrum Zinc-Lead-Silver project for total consideration of $5 million, being an initial cash payment of $2 million and a deferred payment of $3 million in cash of shares on the transfer of the tenements. The agreement remains subject to regulatory and due diligence approvals.

- **Securing Convertible Note Funding**

Legacy Iron withdrew its 3:4 non-renounceable entitlement offer at 5.7 cents per share.

On 9 September 2013, Legacy Iron announced the issue of a convertible note to The Australian Special Opportunity Fund LP for $1,000,000 for working capital purposes. A total of 2,380,952 shares were issued at $0.042 in satisfaction of a $100,000 commencement fee.

The principle terms of the Note are:

(i) A$1,000,000 sum with a A$1,150,000 face value.

(ii) The Note comes with a commencement fee equivalent to $100,000 to be paid in shares at 90% of the average of three (3) consecutive daily VWAPs per as selected by the Investor in its sole discretion, during the twenty (20) consecutive Trading Days immediately prior to the relevant Conversion Notice Date (Conversion Price). This equates to the 2,380,952 shares.

(iii) The investor can convert the Note into fully paid ordinary shares for an amount of between $50,000 and $150,000 at the Conversion Price at their discretion at any time after the Lock-Up Period. The Lock-Up period being 90 days after execution of the Note.

(iv) Within 3 business days of the Lock-Up Period the Company must redeem A$500,000 of the Note via the payment of the cash equivalent.

(v) The Company has the option of redeeming the Note by paying the full face value during the Lock-Up Period.

(vi) The Note contains a floor price of $0.03. Should the Conversion Price fall below the floor price and the Investor chooses to convert some of the Note to shares, the Company can choose to repay that amount of the Note chosen to be converted by the Investor at that time, or repay that amount by cash by repaying 105% of the value of the amount chosen to be converted.

(vii) The Convertible Securities do not carry any voting rights at meetings of shareholders of the Company, and have no rights of participation in any rights issue undertaken by the Company prior to conversion of the Convertible Securities.

(viii) The Term of the Convertible Securities is for 24 months.

- **Access to Debt Funding**

NMDC Limited (49.4% shareholder of Legacy Iron) has agreed to provide a guarantee to enable Legacy Iron to arrange loan facilities with its bankers of up to $3 million.

There are no other matters or circumstance that have arisen since 30 June 2013 that has significantly affected, or may significantly affect:

DIRECTORS' REPORT (continued)

8. AFTER BALANCE DATE EVENTS (continued)

(a) the Group's operations in the future financial years; or
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

- **Mt Bevan**

  On 20 September 2013, Hawthorn Resources Limited announced that it had made a payment of $416,000 in relation to the cash call sought by the Company in connection with Hawthorn's 40% contribution of expenditure on the Mt Bevan project. The Company is reviewing this position.

9. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will continue its mineral exploration activity on its exploration projects with the object of identifying commercial resources. The main area of focus will be the ongoing development of the Mt Bevan iron ore project and advancing several of the projects that the Company has under conditional term sheets or agreements. The Group will also seek to acquire other exploration and mining projects.

10. ENVIRONMENTAL ISSUES

The Group is subject to significant environmental regulation in respect of its exploration activities. The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the period under review.

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Narendra Kumar Nanda	Non-Executive Chairman
Qualifications	He is a fellow member of the Institution of Engineers (India), a fellow member of the Mining Engineers Association of India and a Council Member of the Mining Engineers Association of India. Shri. Nanda holds a Bachelor's Degree in Mining with a 1st Division from Indian School of Mines, Dhanbad and a Master's Degree in Mining from Indian School of Mines, Dhanbad.
Experience	Shri N. K. Nanda, currently a Director (Technical) in NMDC Limited, a Government of India Enterprise, under the Ministry of Steel, was born in 1960. After having early education in Orissa, he graduated with B. Tech. (Mining) from prestigious Indian School of Mining, Dhanbad in 1982 and further his education with a post graduate of M-Tech. from ISM, Dhanbad in 2000. He started his career with Hindustan Copper Ltd., Malanjkhand in 1982 and after a five-year stint at ACC Ltd., joined NMDC in 1989. After enriching experience to his credit, in various capacities and projects of NMDC, he has been elevated on the Board of NMDC as Director (Technical) in 2008. He was also awarded "**Eminent Engineer**" award by the Institution of Engineers, Bhilai in 2004. As Director (Technical), NMDC, he is looking after Research & Development, Investigation, Engineering, New Project Execution including NMDC Integrated Steel Plant at Nagarnar, apart from Joint Ventures, mergers and acquisitions.

DIRECTORS' REPORT (continued)

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Experience

Shri Nanda specialises in projects planning, execution and development and has special interest in diversification activities, He has published and presented a number of technical papers during various seminars in India as well as abroad.

Shri Nanda is conferred with Abheraj Baldota Memorial Award "Mining Engineer of the Year for 2010 – 2011" by the Mining Engineers Association of India on 13 July 2012 at Ahemdabad.

Other Directorships

NMDC Limited, JKMDC Limited, NMDC-CMDC Limited, NMDC-SARL, NMDC Power Limited (subsidiaries of NMDC Limited), Krishnapatnam Railway Company Limited and ICVL Pty Ltd.

Interest in Shares and Options

NIL. It is noted that Mr Nanda is a Director of NMDC Limited, but is not deemed to control NMDC Limited.

Special Responsibilities

Mr Nanda is a member of the Audit Committee and is Chairman of the Remuneration and Nomination Committee.

Ms Sharon Heng

Executive Director/Managing Director

Qualifications

B.A. (Pol Sc), MBA

Experience

Ms Heng has a background in commodities trading, international business development and strategic alliance planning. She has over 15 years experience in international business consultancy, joint venture negotiations, resource funding and capital raising. Ms Heng has extensive experience in China, dealing with government and private sectors, within the oil and gas, energy, infrastructure and mining industries.

Other Directorships

Ms Heng has not held a directorship in any other listed company in the last 3 years.

Interest in Shares and Options

Fully Paid Ordinary Shares	50,138,603
Options exercisable at $0.22 on or before 7/1/2015(i)	11,000,000
25 cents, 6 April 2015 Employee Options	1,800,000
25 cents, 31 December 2014 options	2,000,000
30 cents, 31 December 2014 options	2,000,000
35 cents, 31 December 2014 options	2,000,000
40 cents, 31 December 2014 options	2,000,000
45 cents, 31 December 2014 options	2,000,000

(i) Upon exercise, the option holder is entitled to receive a further option exercisable at $0.25 on 7 January 2016.

Special Responsibilities

Ms Heng is a member of the Audit and Remuneration and Nomination Committees.

Mr Timothy Paul Turner

Non-Executive Director

Qualifications

B.Bus, FCPA, CTA, Registered Company Auditor

DIRECTORS' REPORT (continued)

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Experience	As the senior partner of the accounting firm Hewitt, Turner & Gelevitis he specialises in all areas of business consultancy, strategic planning and is responsible for the issuing of audit opinions. Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, a Fellow of CPA (Australia) and a Chartered Tax Advisor.
Other Directorships	Mr Turner is also a Director of Cape Lambert Resources Limited (appointed 16 September 2004), International Petroleum Limited (appointed 31 January 2006) and African Petroleum Corporation Limited (appointed 16 May 2007).
Interest in Shares and Options	Fully Paid Ordinary Shares 750,000 25 cents, 6 April 2015 Employee Options 500,000 Options exercisable at $0.22 on or before 7/1/2015 (i) 100,000 (i) Upon exercise, the option holder is entitled to receive a further option exercisable at $0.25 on 7 January 2016.
Special Responsibilities	NIL

Mr Swaminathan Thiagarajan	Non-Executive Director
Qualifications	Bachelor's Degree in Science from the University of Madras and a Fellow Member of the Institute of Chartered Accountants of India.
Experience	Shri Swaminathan Thiagarajan has been Director of Finance at NMDC Limited since 9 July 2009 and serves as its Chief Financial Officer. Shri Thiagarajan has approximately 32 years of experience in the field of Finance. He is actively involved in all the expansion and diversification activities of NMDC, both India and abroad. He is also handling investor / analyst relations post-divestment of 10% of equity of GOI to public. He joined NMDC in March 1979 and has served in various capacities in different units of it during his service with it. He served as Head of Finance Department at the Corporate office at NMDC since 2004.
Other Directorships	NMDC Limited, JKMDC Limited, NMDC-CMDC Limited and NMDC Power (subsidiaries of NMDC Limited).
Interest in Shares and Options	NIL. It is noted that Mr Thiagarajan is a Director of NMDC Limited, but is not deemed to control NMDC Limited.
Special Responsibilities	Mr Thiagarajan is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Mr Subimal Bose	Non-Executive Director
Qualifications	B.Tech. (Hons) Degree in Mining Engineering from I.I.T., Kharagpur and I Class Mines Manager Certificate of Competency.

DIRECTORS' REPORT (CONTINUED)

11. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Experience Mr Subimal Bose has been the Director of Production at NMDC Limited since 17 June 2011. Mr Bose has about 30 years of experience in the field of mining. Mr Bose served as General Manager of Kirandul at NMDC Limited until 17 June 2011. Mr Bose joined NMDC as Deputy General Manager (Mining) in 2001, where he served in various positions such as Additional General Manager, Joint General Manager and General Manager/Head of the Project. He was associated with Cement Corporation of India Limited from 30 December 1981 to 12 November 2001.

Other Directorships Mr Bose has been a Director of NMDC Limited since 17 June 2011.

Special Responsibilities NIL

Benjamin Donovan Company Secretary

Qualifications B.Comm (Hons)

Experience Mr Donovan is a member of Chartered Secretaries Australia and provides corporate advisory and consultancy services to a number of companies.

Mr Donovan is currently a Director and Company Secretary of several ASX listed and public unlisted companies, and has extensive experience in listing rules, compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth, including as a member of the ASX JORC Committee.

In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving a listing on ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.

12. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for the Directors and other key management personnel of Legacy Iron Ore Limited.

Non-Executive Director Remuneration Policy

The key principle underpinning Non-Executive Director remuneration is the need to attract skilled and experienced Directors to direct the current business and into the future. The Board's policy is to periodically review its approach to Non-Executive Director remuneration and seek independent advice to ensure its Non-Executive Directors' fees remain competitive with other similarly sized mining exploration companies listed on the ASX. The Board also periodically reviews its policies to ensure these are in line with best practice and follow principles of good corporate governance.

Remuneration Consultants

The Company does not engage the services of any remuneration consultants.

Non-Executive Director Fees

Total fees are set within the maximum aggregate amount approved by shareholders at the November 2011 Annual General Meeting, being in aggregate $500,000. Currently Non-Executive Directors receive a fixed fee for their services as a Director and do not receive additional committee fees or other payments for additional services.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (continued)

There is no direct link between remuneration paid to the Non-Executive Directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

There are no retirement benefits for Non-Executive Directors.

In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on the Company's business.

It is noted that the Non-Executive Directors appointed by NMDC Limited, (Mr Nanda, Mr Thiagarajan and Mr Bose) inform the Company to waive their director fees.

The total remuneration paid to, or in respect of, each Non-Executive Director during the year is set out in this report.

Executive Remuneration Policy

The Group's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the Australian market and ensure that the Company:
• provides competitive rewards that attract, retain and motivate executives of the highest calibre;
• structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia;
• aligns executive incentive rewards with the creation of value for shareholders; and
• complies with applicable legal requirements and appropriate standards of governance.

Voting and Comments made at the Company's 2012 Annual General Meeting

The Group received 1.9% of "no" votes on its remuneration report for the 2012 financial year. The Group did not receive any specific feedback at the AGM on its remuneration report.

Details of Directors and Key Management Personnel

(i) *Directors*
Mr Narendra Kumar Nanda
Ms Sharon Kia Le Heng
Mr Timothy Paul Turner
Mr Swaminathan Thiagarajan
Mr Subimal Bose

(ii) *Other Key Management Personnel*
Mr John Hebenton – Chief Executive Officer (resigned 31 August 2012)
Mr Steve Shelton – Exploration Manager
Mr Benjamin Donovan – Company Secretary

Group Performance and Shareholder Wealth and Directors' and Executives' Remuneration

Options were issued to key management personnel to increase goal congruence between shareholders and key management personnel.

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2013	2012	2011	2010	2009
Loss per share (cents)	(2.06)	(2.27)	(3.60)	(3.36)	(4.45)
Net loss	(11,947,421)	(9,617,052)	(6,426,026)	(4,494,115)	(3,866,629)
Share price	5 cents	10 cents	10 cents	12 cents	8 cents

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (continued)

However given the nature and stage of the Group's operation being exploration and evaluation activities, the Board does not believe historical performance is the most appropriate basis to compensate key management personnel.

Options

To provide further goal congruence between shareholders and key management personnel (KMP), the following options were issued:

30 June 2013

Number	KMP	Expiry date	Date of Issue	Exercise price
11,000,000	Sharon Heng	7 January 2015	22 February 2013	$0.2229
100,000	Timothy Turner	7 January 2015	22 February 2013	$0.2229

Options were granted for a consideration of $0.001 per option. Upon exercise of these options, the option holder is entitled to receive a further option exercisable at $0.25 on 7 January 2016.

30 June 2012

(a) Sharon Heng, in the year ended 30 June 2012, was issued:

Number	Tranche	Expiry date	Date of Issue	Exercise price
2,000,000	Tranche 1	31 December 2014	19 December 2011	$0.25
2,000,000	Tranche 2	31 December 2014	19 December 2011	$0.30
2,000,000	Tranche 3	31 December 2014	19 December 2011	$0.35
2,000,000	Tranche 4	31 December 2014	19 December 2011	$0.40
2,000,000	Tranche 5	31 December 2014	19 December 2011	$0.45

(b) During the year ended 30 June 2012, former Chief Executive Officer, John Hebenton was issued 3,000,000 options exercisable at $0.25 each on or before 31 December 2013.

The Group has no other policy for other short term or long term incentive bonuses or other benefits.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (continued)

Details of Remuneration for Year Ended 30 June 2013 (continued)

The remuneration for key management personnel of the group during the year was as follows:

30 June 2013	Short Term Benefits		Share-Based Payments		Post Employment Benefits			
Name	Salary, Fees and Commissions $	Non-Cash Benefits (i) $	Shares $	Options $	Superannuation Contribution $	Termination Benefits	Total $	Value of options/ performance shares as a proportion of remuneration %
Narendra Kumar Nanda	-	-	-	-	-	-	-	-
Sharon Heng	362,564	29,621	-	181,500	21,725	-	595,410	30%
Timothy Turner	72,000		-	1,650	-	-	73,650	2%
John Hebenton	67,350	10,492	-	-	4,500	75,000	157,342	-
Swaminathan Thiagarajan	-	-	-	-	-	-	-	-
Subimal Bose	-	-	-	-	-	-	-	-
Ben Donovan	89,572	-	-	-	-	-	89,572	-
Steve Shelton	250,000	-	-	-	22,500	-	272,500	-
Total	**841,486**	**40,113**	**-**	**183,150**	**48,725**	**75,000**	**1,188,474**	

- It is noted that the Non-Executive Directors appointed by NMDC Limited, (Mr Nanda, Mr Thiagarajan and Mr Bose) inform the Company to waive their director fees.

Details of Remuneration for Year Ended 30 June 2012

The remuneration for key management personnel of the group during the year was as follows:

30 June 2012	Short Term Benefits		Share-Based Payments		Post Employment Benefits			
Name	Salary, Fees and Commissions $	Non-Cash Benefits (i) $	Shares $	Options $	Superannuation Contribution $	Termination Benefits	Total $	Value of options/ performance shares as a proportion of remuneration %
Narendra Kumar Nanda	-	-	-	-	-	-	-	-
Sharon Heng	473,882	16,006	-	574,537	27,497	-	1,091,922	53%
Timothy Turner	72,000	-	-	-	-	-	72,000	-
John Hebenton	231,246	7,044	-	172,361	20,812	-	431,463	40%
Tao Han	-	-	-	-	-	-	-	-
Rana Som	-	-	-	-	-	-	-	-
Swaminathan Thiagarajan	-	-	-	-	-	-	-	-
Subimal Bose	-	-	-	-	-	-	-	-
Ben Donovan	69,571	-	-	690,672	-	-	760,243	91%
Ivan Wu	-	-	-	-	-	81,446	81,446	-
Steve Shelton	227,122	-	-	4,557	20,441	-	252,120	2%
Total	**1,073,821**	**23,050**	**-**	**1,442,127**	**68,750**	**81,446**	**2,689,194**	

- It is noted that the Non-Executive Directors appointed by NMDC Limited, (Mr Nanda, Mr Thiagarajan and Mr Bose) inform the Company to waive their director fees.

(i) The non-cash benefit relates to the use of a motor vehicle.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (CONTINUED)

SHARE BASED COMPENSATION

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

The following options were granted to key management personnel and their personally related entities. Options were granted for a consideration of $0.001 per option. Options and performance shares carry no dividend or voting rights. Upon exercise of the options, the option holder is entitled to receive a further piggyback option exercisable at $0.25 on 7 January 2016.

30 June 2013 Name	22.29 cent Options No.	Total Fair Value $
Sharon Heng	11,000,000	181,500
Timothy Turner	100,000	1,650
Total	**11,100,000**	**183,150**

The following assumptions were used in determining the fair value of the options on grant date:

Valuation Assumption	22.29 cent Options
Underlying security value	7.8 cents
Grant date	22/2/2013
Vesting period	Immediately
Exercise price	$0.2229
Expected dividend yield	0%
Risk free rate	2.64%
Volatility	90%
Probability of vesting	N/A
Expiry date	7/1//2015
Fair value per security	$0.0165

Options Issued as Part of Remuneration for the Year Ended 30 June 2012

The following options were granted to key management personnel and their personally related entities. Shares and options were granted for nil consideration. Options and performance shares carry no dividend or voting rights.

30 June 2012 Name	10 cent Options No.	25 cent Options No.	25 cent Options No.	30 cent Options No.	35 cent Options No.	40 cent Options No.	45 cent Options No.	Total Fair Value $
Sharon Heng	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	574,537
John Hebenton	-	3,000,000	-	-	-	-	-	172,361
Ben Donovan	3,000,000	3,150,000	-	-	-	-	-	690,672
Total	**3,000,000**	**6,150,000**	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**	**1,437,570**

The following assumptions were used in determining the fair value of the options on grant date:

Valuation Assumption	10 cent Options	25 cent options	25 cent options	30 cent options	35 cent options	40 cent option	45 cent options
Underlying security value	18.5 cents	13.5 cents	13.5 cents	13.5 cents	13.5 cents	13.5 cents	13.5 cents
Grant date	14/7/2011	19/12/ 2011	19/12/ 2011	19/12/ 2011	19/12/ 2011	19/12/ 2011	19/12/ 2011
Vesting period	Immediately	Immediately	Immediately	Immediately	Immediately	Immediately	Immediately
Exercise price	$0.10	$0.25	$0.25	$0.30	$0.35	$0.40	$0.45
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk free rate	3.9%	3.079%	3.072%	3.072%	3.072%	3.072%	3.072%
Volatility	96%	100%	100%	100%	100%	100%	100%
Probability of vesting	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expiry date	23/12/2015	31/12/2013	31/12/2014	31/12/2014	31/12/2014	31/12/2014	31/12/2014
Fair value per security	$0.1215	$0.05745	$0.05745	$0.05745	$0.05745	$0.05745	$0.05745

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (CONTINUED)

SHARE BASED COMPENSATION (CONTINUED)

No other options issued to key management personnel were exercised during the year ended 30 June 2013 (2012: NIL).

Key management personnel are prohibited from hedging their exposure to incentive remuneration for arrangements entered into on or after 1 July 2011.

SERVICE AGREEMENT

Executive Director – Sharon Heng

On 12 September 2011, the Group entered into a services agreement with Sharon Heng as Managing Director. The key terms being:

- Annual gross salary of $300,000 plus superannuation of 9% per annum.
- Subject to review 36 months from the date of commencement.
- Entitled to any bonus once declared by the Board.
- Entitled to the use of a fully maintained company car.
- Termination can occur by either party giving 3 months' notice. If the Group requires Ms Heng to not fulfil the 3 months' notice, she is eligible to 3 months payment in lieu.

Chief Executive Officer – John Hebenton (resigned 31 August 2012)

On 12 September 2011, the Group entered into a services agreement with John Hebenton as Chief Executive Officer. The key terms being:

- Annual gross salary of $300,000 plus superannuation of 9% per annum.
- Subject to review 36 months from the date of commencement.
- Entitled to any bonus once declared by the Board.
- Entitled to the use of a fully maintained company car.
- Termination can occur by either party giving 3 months' notice. If the Group requires Mr Hebenton to not fulfil the 3 months' notice, he is eligible to 3 months payment in lieu.

Effective 31 August 2012, following a restructure, Mr Hebenton's position as Chief Executive Officer was made redundant and he was paid a termination payment of $75,000.

Non-Executive Director – Tim Turner

On 8 August 2011, the Group entered into a 3 year consultancy contract with Mr Turner for $72,000 per annum. This contract ends on 7 August 2014 with an option to extend for a further 12 month period. Following the re-appointment of Mr Turner in January 2012, the Group renewed this agreement.

On 8 September 2011, the Group also entered into an agreement with Hewitt Turner & Gelevitis for the provision of accounting services and ATO compliance. From 1 March 2012 the agreed fee is $6,350 per month (previously $5,600). Mr Turner is a partner of the firm.

Exploration Manager

Effective 12 October 2009, the Group entered into an employment contract with Mr Steve Shelton to provide the services of Exploration Manager of the Company. His current base salary is $250,000 per annum plus superannuation. The contract expires with one month's notice. Upon termination he is entitled to any unpaid salary until the date of termination.

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited) (CONTINUED)

SERVICE AGREEMENT (CONTINUED)

Company Secretary

Effective 4 July 2011, the Group entered into a Company Secretary services agreement with Mr Benjamin Donovan. His fee is $50,400 per annum for a 3 year period ending 3 July 2014. Except for gross misconduct, which allows for immediate termination of the agreement, the Group and Mr Donovan may terminate the agreement by either party giving 3 months' notice. If the Group requires Mr Donovan to not fulfil the 3 months' notice, he is eligible to 3 months payment in lieu. At the end of the 3 year period, the agreement will be deemed to be automatically renewed for a further 2 years, unless the Group provides written notice of its intention not to renew the agreement not less than 3 months prior to the end of the initial 3 year period. An amendment was made in January 2012 to increase the base fee to $72,000 per annum.

END OF THE AUDITED REMUNERATION REPORT

13. MEETINGS OF DIRECTORS

During the year, 3 Directors' meetings were held. Attendances by each Director during the year were as follows:

Directors' Meetings

Director	Number Eligible to Attend	Meetings Attended
Narendra Kumar Nanda	3	3
Sharon Heng	3	3
Timothy Turner	3	3
Swaminathan Thiagarajan	3	3
Subimal Bose	3	2

The above does not include meetings carried out as circular resolutions of the Board.

There were 2 audit committee meetings held during the year. Given the size of the Group the Board as a whole reviewed matters relating to nomination and remuneration matters as indicated below.

	Audit		Nomination and Remuneration	
Director	Eligible to attend	Attended	Eligible to attend	Attended
Narendra Kumar Nanda	2	2	-	-
Sharon Heng	2	2	-	-
Timothy Turner	2	2	-	-
Swaminathan Thiagarajan	2	2	-	-
Subimal Bose	2	2	-	-

14. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Director, Principal Executive Officer or Secretary of the Group shall be indemnified out of the property of the Group against any liability incurred by him/her in his/her capacity as Director, Principal Executive Officer or Secretary of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. During the year, the Group paid a premium to insure the Directors and Secretary of the Company. The terms of the contract of insurance prohibit disclosure of the premium paid and nature of liabilities covered.

DIRECTORS' REPORT (CONTINUED)

15. PROCEEDINGS ON BEHALF OF 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 proceeding. The Group was not a party to any such proceedings during the year.

On 15 February 2013, the Company served a statement of claim on the directors of Subiaco Capital Pty Ltd (**Subiaco Capital**) out of the Magistrates Court of Queensland in Brisbane in relation to a claim of $115,556.25 as damages for breach of contract, plus interest pursuant to the relevant Queensland legislation and costs.

This claim relates to the non-payment by Subiaco Capital of half of the duty payable under an agreement for the sale of mining assets dated 25 July 2012 under which the Company agreed to purchase and Subiaco Capital agreed to sell two exploration permits for coal numbered 2303 and 2304 (**Agreement**).

The Company has paid the full amount of the duty assessed by the Queensland Commissioner of Stamp Duty (i.e. $231,112.50) and seeks reimbursement for half of that amount (i.e. $115,556.25) from Subiaco Capital in accordance with the Queensland Duties Act.

This litigation is ongoing.

16. OPTIONS

Unissued Shares under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number Under Option
31 December 2014	$0.10	11,354,383
31 December 2014	$0.15	8,304,525
7 January 2015 (i)	$0.2229	21,430,000
31 December 2013	$0.25	6,000,000
14 February 2014	$0.1173	4,300,000
31 December 2014	$0.25	4,000,000
31 December 2014	$0.30	4,000,000
31 December 2014	$0.35	4,000,000
31 December 2014	$0.40	4,000,000
31 December 2014	$0.45	4,000,000
23 December 2015	$0.10	12,430,000
1 April 2015	$0.25	11,660,000
31 December 2015	$0.25	46,200,000
24 May 2016	$0.18	4,000,000
TOTAL		**145,678,908**

All options issued to NMDC Limited are subject to a voluntary escrow, where the options held by NMDC can only be exercised following the exercise by an optionholder unrelated to NMDC Limited.

(i) These options upon exercise will entitle the option holder to receive a further piggyback option exercisable at $0.25 on 7 January 2016.

During the year ended 30 June 2013, no amounts are unpaid on any of the shares. No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

DIRECTORS' REPORT (CONTINUED)

16. OPTIONS (continued)

Details of Shares Issued During or Since Year End as a Result of Exercise of Options

During the year ended 30 June 2013, the following ordinary shares of the Company were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

	Grant Date	Exercise Price	Number of Shares Issued
Options issued	1 December 2012	$0.10	25,000
TOTAL			**25,000**

17. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 50 of the annual report.

18. NON AUDIT SERVICES

During the year, Grant Thornton Audit Pty Ltd did not provide any non-audit services to the Group.

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

Sharon Heng
Director
Perth
27 September 2013

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Auditor's Independence Declaration
To the Directors of Legacy Iron Ore Limited

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

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue	3	209,903	211,738
Compliance and regulatory expenses		(92,214)	(144,823)
Depreciation and amortisation	11	(75,829)	(76,129)
Key management personnel remuneration		(516,778)	(781,023)
Employee benefit expense		(1,187,126)	(827,078)
Exploration expenditure expensed		(68,386)	(36,170)
Exploration tenements written off	12	(4,887,407)	(346,306)
Occupancy expenses		(473,548)	(383,165)
Legal expenses		(250,776)	(235,457)
Travel expenses		(184,085)	(206,004)
Other expenses		(692,806)	(769,413)
Corporate services	4	(2,198,796)	(1,948,585)
Finance expense	4	(4,756)	(223,541)
Impairment of available for sale financial assets	4	(886,250)	-
Share-based payments	4 & 24	(905,584)	(3,851,096)
Loss before income tax	4	(12,214,438)	(9,617,052)
Income tax benefit	5	267,017	-
Loss for the year		(11,947,421)	(9,617,052)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets, net of tax	13	(245,500)	(1,754,500)
Items that will not be reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(12,192,921)**	**(11,371,552)**
Basic and diluted (loss) per share	6	(2.06) cents	(2.27) cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
Assets			
Current Assets			
Cash and Cash Equivalents	9	2,117,846	13,428,361
Other Receivables	10	611,238	553,771
TOTAL CURRENT ASSETS		2,729,084	13,982,132
Non Current Assets			
Plant and Equipment	11	130,479	176,092
Exploration and Evaluation Expenditure	12	14,302,047	13,709,370
Other Financial Assets	13	628,750	1,760,500
TOTAL NON CURRENT ASSETS		15,061,276	15,645,962
TOTAL ASSETS		**17,790,360**	**29,628,094**
Liabilities			
Current Liabilities			
Trade and Other Payables	14	968,197	1,480,628
Employee Benefits	15	111,807	157,275
TOTAL CURRENT LIABILITIES		1,080,004	1,637,903
Non Current Liabilities			
Employee Benefits	15	28,761	23,759
TOTAL NON CURRENT LIABILITIES		28,761	23,759
TOTAL LIABILITIES		**1,108,765**	**1,661,662**
NET ASSETS		**16,681,595**	**27,966,432**
Equity			
Issued Capital	16	42,158,338	42,155,838
Reserves	17	16,332,623	15,672,539
Accumulated Losses		(41,809,366)	(29,861,945)
TOTAL EQUITY		**16,681,595**	**27,966,432**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Ordinary Share Capital $	Share Based Payment Reserve $	Option Premium Reserve $	Financial Assets Reserve $	Accumulated Losses $	Total $
BALANCE AT 30 JUNE 2011		20,195,483	12,215,104	90,539	2,000,000	(20,244,893)	14,256,233
Loss for the year		-	-	-	-	(9,617,052)	(9,617,052)
Other comprehensive income	17	-	-	-	(1,754,500)	-	(1,754,500)
Total comprehensive income for the year		-	-	-	(1,754,500)	(9,617,052)	(11,371,552))
Shares issued during the year	16	26,329,450	-	-	-	-	26,329,450
Transaction costs	16	(4,369,095)	-	-	-	-	(4,369,095)
Recognition as remuneration of options issued	17	-	3,121,396	-	-	-	3,121,396
BALANCE AT 30 JUNE 2012		**42,155,838**	**15,336,500**	**90,539**	**245,500**	**(29,861,945)**	**27,966,432**
Loss for the year		-	-	-	-	(11,947,421)	(11,947,421)
Other comprehensive income	17	-	-	-	(245,000)	-	(245,500)
Total comprehensive income for the year		-	-	-	(245,500)	(11,947,421)	(12,192,921)
Shares/options issued during the year	16	2,500	-	41,089	-	-	43,589
Transaction costs relating to shares/options issued	16	-	-	(41,089)	-	-	(41,089)
Recognition as remuneration of options issued	17	-	905,584	-	-	-	905,584
BALANCE AT 30 JUNE 2013		**42,158,338**	**16,242,084**	**90,539**	**-**	**(41,809,366)**	**16,681,595**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
Cash Flows from Operating Activities			
Receipts from customers		-	16,656
Payment to suppliers and employees		(5,817,001)	(4,666,596)
Interest received		200,596	195,298
Interest paid		(357)	(223,481)
Income tax offset received		267,017	-
Net cash flows (used in) operating activities	23	(5,349,745)	(4,678,123)
Cash flows from Investing Activities			
Payments for purchase of fixed assets		(55,899)	(138,151)
Payments for exploration and evaluation		(5,528,071)	(3,605,519)
Payments for financial assets		-	(15,000)
Payment for deposit of prospects		-	(200,000)
Proceeds from sale of fixed assets		20,700	5,870
Payments for loans to unrelated entities		(400,000)	-
Net cash flows (used in) investing activities		(5,963,270)	(3,952,800)
Cash Flows from Financing Activities			
Repayment of borrowings		-	(386,532)
Proceeds from issue of convertible securities		-	2,800,000
Proceeds from issue of shares and options		41,089	18,890,000
Proceeds from borrowings		-	320,000
Repayment of convertible loan		-	(1,000,000)
Payments for costs of capital raising		(41,089)	(103,795)
Proceeds from exercise of options		2,500	254,450
Net cash flows from financing activities		2,500	20,774,123
Net Increase/(Decrease) in Cash and Cash Equivalents		(11,310,515)	12,143,200
Cash and Cash Equivalents at the Beginning of Year		13,428,361	1,285,161
Cash and Cash Equivalents at the End of Year	9	**2,117,846**	**13,428,361**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is for the consolidated entity consisting of Legacy Iron Ore Limited and its subsidiaries (the "Group"). The Group is domiciled in Australia and the address of the registered office is Level 5, Citibank House, 37 St George's Terrace, Perth WA 6000. The Group is primarily involved in mineral exploration.

The financial report was approved by the Board of Directors on 27 September 2013.

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial report is presented in Australian dollars, which is the Group's functional currency.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets and share-based payments.

(a) Going Concern

The 30 June 2013 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2013 the Group recorded a loss after tax of $11,947,421, cash outflows from operations of $5,349,745 and had a net working capital surplus of $1,649,080. The loss for the year is consistent with the stage of operations of the Group, being the exploration and evaluation of mineral resources.

The directors' 15 month cash flow forecast for the Group anticipates a cash flow surplus sufficient to settle liabilities in the normal course of business. Exploration and evaluation activities will be funded through a combination of debt and additional equity. Debt funding comprises a $3,000,000 loan which major shareholder, NMDC has agreed to guarantee. Additional equity funding will take the form of a combination of convertible notes and a rights' issue. Refer further to Note 20 for details of a $1,000,000 convertible note which was issued on 9 September 2013.

The directors are in the process of finalising the terms of the rights issue.

Based upon the directors' cash flow forecast, the directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and therefore the going concern basis of preparation remains appropriate.

Legacy will be required to raise additional equity funding through private and/or public placements. There is uncertainty whether the placements will eventuate. In the event the placements are not successfully completed, the Group may not be able to continue as a going concern. Accordingly, the Group may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Legacy Iron Ore Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Legacy Iron Ore Limited and its subsidiaries together are referred to in this financial report as the group or consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Income Tax

The income tax expense/(revenue) for the year comprises current and deferred taxation. Income tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for where the initial recognition of assets and liabilities affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Plant and Equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets for 2013 are as follows:

Motor Vehicles	25%
Computers and Software	67%
Equipment	20%
Furniture and fittings	4-20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Exploration and Evaluation Expenditure

Mineral tenements are carried at cost, less accumulated impairment losses. Mineral exploration and evaluation 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 of interest or sale of that area of interest, or exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations on or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area of interest are written off in full against profit in the year in which the decision to abandon that area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(f) Leases

Finance Leases
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased assets or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Operating Leases
Payment made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments

Initial Recognition and Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through the profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the statement of comprehensive income immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

Available for Sale Financial Assets
Available for sale financial assets represent non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments. Available for sale financial assets are included in non-current assets, except those which are expected to mature within 12 months after the end of the reporting period.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. The fair value of trade and other receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair Value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and options pricing models.

Impairment
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at that point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will entre bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (continued)

Impairment (continued)
For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

(h) Impairment of Non Financial Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Defined Contribution Plans
A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Equity-Settled Compensation
The Group operates equity-settled share-based payment share and option schemes to Directors and employees. The fair value of the equity to which Directors and employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee Benefits (continued)

fair value of options is ascertained using a Binomial or Black and Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Earnings per Share

The Company presents basis and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and performance shares.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank over overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(m) Share-Based Payments

The fair value determined at grant date of equity settled share-based payments is treated as the cost of assets acquired or expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Vesting is not conditional upon a market condition. No asset or expense is recognised for share based payments that do not vest. For cash settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(n) Share Capital and Transaction Costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of any tax effects.

(o) Revenue Recognition

Interest income is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability.

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

(q) Jointly Controlled Assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 25.

(r) Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 Exploration and Evaluation Expenditure
- Note 13 Impairment of Available for Sale Financial Assets
- Note 24 Measurement of Share-Based Payments.

(s) Adoption of New and Revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However amendments made to AASB 1 “Presentation of Financial Statements” effective 1 July 2012 now require the Statement of Comprehensive Income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards for Application in Future Years

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 27] (applicable for annual reporting periods commencing on or after 1 January 2015).

  These standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

  The key changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with-held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  These standards will not give rise to any change in how the Group accounts for its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards for Application in Future Years (continued)

- AASB 10: Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12: Disclosures of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. This standard will not impact the Group.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint venture arrangements to be classified as either 'joint operations' (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed). The Group's jointly controlled assets shall be classified as joint operations and the new standard will not have any impact on the amounts recognised in the financial statements.

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard of framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

  - Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards for Application in Future Years (continued)

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plan. The Group does not have any defined benefit plans and so is not impacted by the amendment.

  AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:
  (i) For an offer that may be withdrawn – when the employee accepts;
  (ii) For an offer that cannot be withdrawn – when the offer is communicated to the affected employees; and
  (iii) Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

  Changes to AASB 119 are not expected to impact the Group.

- AASB 2011-4: Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (applicable for annual reporting periods commencing on or after 1 July 2013).

  This standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the view that these disclosures are better dealt within the legislation, rather than by accounting standards. In March 2013, the Australian government released Corporations Legislation Amendments Regulation 2013 which proposed to insert these disclosures into Corporations Regulations 2001 to ensure the disclosure requirements continue to be operative for financial years commencing on or after 1 July 2013.

  Changes are unlikely to significantly impact the Group.

- AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining (applicable for annual reporting period commencing on or after 1 January 2013).

  This interpretation clarifies that costs of removing overburden to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity in realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset).

  The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards for Application in Future Years (continued)

- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures- Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting period commencing on or after 1 January 2013).

  This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standards also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. (applicable for annual reporting period commencing on or after 1 January 2013).

  The Group does not have any netting arrangements in place. Therefore, there will be no impact on the financial statements when this Standard is first adopted.

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting period commencing on or after 1 January 2013).

  AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set off" and that some gross settlement systems may be considered equivalents to net settlement.

  When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

  These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to standards. The amendments are largely of the nature of clarification or removals of unintended inconsistencies between Australian Accounting Standards.

  These amendments are unlikely to impact the Group.

- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 2012-6 amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting period beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances.

  The Group will be able to provide transition disclosures, instead of restating comparatives, upon initial application of AASB 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Accounting Standards for Application in Future Years (continued)

- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 (applicable for annual reporting periods commencing on or after 1 January 2013)

  When AASB 2012-9 is first adopted for the year ended 30 June 2014, there will be no impact on the entity as this standard will not affect current practice.

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 2012-10 clarifies the transition guidance in AASB 10 Consolidated Financial Statements. It also provides additional transition relief in AASB 10, AASB 11, AASB 12 by limiting the requirement to provide adjusted comparative information only to the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, AASB 2012-10 removes the requirement to present comparative information for any periods beginning before the first annual reporting period for which AASB 12 is applied.

  When these amendments are first adopted they are unlikely to have an impact on the entity given that they are largely clarification of existing transitional provisions.

- IFRIC Interpretation 21 Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

  IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy). The interpretation clarifies that the obliging event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The generation of revenue in the previous period is necessary but sufficient to create a present obligation.

  The Group is not subject to any levies addressed by this Interpretation.

- Recoverable Amount Disclosures for Non-financial assets (Amendments to IAS 36) (applicable for annual reporting periods commencing on or after 1 January 2014).

  These narrow scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

  These amendments are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

2. DIVIDENDS

No dividends have been paid or proposed during the year ended 30 June 2013 (2012: NIL). There are no franking credits available for use in subsequent reporting periods.

3. REVENUE

	2013 $	2012 $
Interest income on bank deposits	189,663	208,875
Profit on sale of fixed assets	20,240	-
Other revenue	-	2,863
Total Revenue	**209,903**	**211,738**

4. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging the following expenses:

	2013 $	2012 $
Depreciation of non-current assets	75,829	76,129
Exploration expenditure expensed	68,386	36,170
Exploration tenements written off	4,887,407	346,306
Impairment	886,250	-
Finance expenses	4,756	223,541
Key management personnel remuneration (A)	516,778	781,023
Loss on sale of assets	-	22,693
Operating lease rental expense	473,548	345,206
Share based payment – to consultants and KMP	905,584	1,980,000
Corporate services (B)	2,198,796	1,948,585

(A) Costs of $488,546 (2012: $445,328) directly related to exploration efforts are recognised in exploration and evaluation expenditure.

(B) Corporate services included but not limited to technical consultants, mineral resource estimation, metallurgical testing and analysis, infrastructure studies, research & development (R&D) tax specialists and Corporate Advisors. These costs do not fall into the category of exploration expenditure. While the Company is still in exploration and development stage, the strategy is to engage external consultants who have the expertise and availability as and when required. This allows flexibility for the Company and is considered the most efficient use of resources given the size and development stage of the Company. As the Company grows, some of these services will be undertaken in-house. This will mean employing personnel on the Company's payroll.

During the year, there were two activities which have associated costs while they did not proceed further. They were (1) capital raising activities - the Rights issue and (2) the proposed spin-off of non-core gold and base metal assets. Costs were incurred related to capital raising activities via rights issues. The rights issue was cancelled but associated costs were incurred and payable. The proposed spin-off of the non-core gold and base metal assets involved legal and corporate due diligence as well as specialist tax advice which were incurred by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

5. INCOME TAX

		2013 $	2012 $
(a)	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	-
		-	-
(b)	The prime facie tax on loss before income tax is reconciled to income tax benefit as follows:		
	Prima facie tax benefit on loss before income tax at 30%	(3,664,331)	(2,885,116)
	Add / (Less) Tax effect of:		
	- Non-deductible share-based payments	271, 675	1,155,329
	- Research and development	(89,006)	-
	- Unrecognised deferred tax asset attributable to tax losses	3,214,645	1,729,787
	Income Tax Attributable to the Group	**(267,017)**	**-**
(c)	Deferred Tax Assets and Liabilities		
	Deferred tax assets and liabilities are attributable to the following:		
	Deferred Tax Liabilities		
	Prepayments	9,529	11,454
	Exploration and evaluation expenditure	4,265,639	4,087,836
	Available for Sale Financial Assets	-	73,650
	Interest receivable	2,225	5,505
	Total Deferred Tax Liabilities	4,277,393	4,178,445
	Deferred Tax Assets		
	Accrued expenses	15,518	14,011
	Provisions	42,170	54,311
	Available for Sale Financial Assets	265,875	-
	Capital raising costs	163,290	297,993
	Tax losses recognised	3,790,540	3,812,130
	Total Deferred Tax Assets	4,277,393	4,178,445
	Net Tax Assets/Liabilities	**-**	**-**

(d) Tax Losses

At 30 June 2013, the Group has $41,584,771 (2012: $30,846,979) tax losses that are available for offset against future taxable profits of the Group. Amount of tax losses recognised at 30 June 2013 to offset deferred tax liabilities is $12,635,133 (2012: $12,707,100). Amount of unrecognised tax losses at 30 June 2013 is $28,949,638 (2012: $18,139,879).

The potential benefit of carried forward losses will only be obtained if assessable income is derived of a nature and, of an amount sufficient to enable the benefit from the deductions to the realised or the benefit can be utilised by the Group providing that:

(i) the provisions of deductibility imposed by law are complied with; and
(ii) no change in tax legislation adversely affect the realisation of the benefit from the deductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

6. LOSS PER SHARE

		2013	2012
(a)	Basic and diluted loss per share	(2.06) cents	(2,27) cents
(b)	Loss used in the calculation of basic and diluted loss per share	($11,947,421)	($9,617,052)

		No	No
(c)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	581,298,023	423,663,776

(d) Options

The options to subscribe to ordinary shares have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the years ended 30 June 2013 and 30 June 2012. These options could potentially dilute basic earnings per share in the future.

7. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Name and Positions of Key Management Personnel at any time during the Financial Year are:

Mr Narendra Kumar Nanda	Chairman
Ms Sharon Heng	Executive Director/Managing Director
Mr Tao Han	Non-Executive Director
Mr Timothy Turner	Non-Executive Director
Mr Swaminathan Thiagarajan	Non-Executive Director
Mr Subimal Bose	Non-Executive Director
Mr Steve Shelton	Exploration Manager
Mr Ben Donovan	Company Secretary
Mr John Hebenton	Chief Executive Officer (resigned 31 August 2012)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Ordinary Shareholdings

Number of ordinary shares held directly, indirectly or beneficially by Directors and other Key Management Personnel:

2013	Balance at 1 July 2012 No	Balance on appointment No	Received as Compensation No	Net Change Other * No	Balance 30 June 2013 No
Narendra Kumar Nanda	-	-	-	-	-
Sharon Heng	45,447,603	-	-	3,131,000	48,578,603
Timothy Turner	750,000	-	-	-	750,000
Steve Shelton	530,000	-	-	210,000	740,000
John Hebenton	290,000	-	-	-	NA**
Swaminathan Thiagarajan	-	-	-	-	-
Subimal Bose	-	-	-	-	-
Ben Donovan	4,660,002	-	-	500,000	5,160,002
Total	**51,677,605**	**-**	**-**	**3,841,000**	**55,228,605**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Ordinary Shareholdings (continued)

2012	Balance at 1 July 2011 No	Balance on appointment No	Received as Compensation No	Net Change Other * No	Balance 30 June 2012 No
Narendra Kumar Nanda	NA**				
Sharon Heng	43,947,603	-	-	1,500,000	45,447,603
Tao Han	9,500,000	-	-	-	NA**
Timothy Turner	750,000	-	-	-	750,000
Ivan Wu	1,100,000	-	-	-	NA**
Steve Shelton	310,000	-	-	220,000	530,000
John Hebenton				290,000	290,000
Rana Som	NA**	-	-	-	-
Swaminathan Thiagarajan	NA**	-	-	-	-
Subimal Bose	NA**	-	-	-	-
Ben Donovan	NA**	2	2,000,000	2,660,000	4,660,002
Total	**55,607,603**	**2**	**2,000,000**	**4,670,000**	**51,677,605**

* Net Change Other refers to shares purchased or sold during the financial year.
** Did not hold office at this date hence disclosure is not necessary.

(c) Option Holdings

Numbers of options held by Key Management Personnel:

2013	Balance at 1 July No	Balance on Appointment No	Granted During the Year as Compensation No	Net Change Other * No	Balance at 30 June No	Total Vested No	Total Exercisable at 30 June 2013 No
Narendra Kumar Nanda	-	-	-	-	-	-	-
Sharon Heng	11,800,000	-	11,000,000	-	22,800,000	22,800,000	22,800,000
Timothy Turner	500,000	-	100,000		600,000	600,000	600,000
Steve Shelton	5,500,000	-	-	-	5,500,000	5,500,000	5,500,000
John Hebenton	3,000,000	-	-	-	NA	NA	NA
Swaminathan Thiagarajan	-	-	-	-	-	-	-
Subimal Bose	-	-	-	-	-	-	-
Ben Donovan	5,865,000	-	-	-	5,865,000	5,865,000	5,865,000
Total	**26,665,000**	**-**	**11,100,000**	**-**	**34,765,000**	**34,765,000**	**34,765,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

7. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Option holdings (continued)

2012	Balance at 1 July No	Balance on Appointment No	Granted During the Year as Compensation No	Net Change Other * No	Balance at 30 June No	Total Vested No	Total Exercisable at 30 June 2012 No
Narendra Kumar Nanda	NA**	-	-	-	-	-	-
Sharon Heng	24,309,836	-	10,000,000	(22,509,836)	11,800,000	11,800,000	11,800,000
Tao Han	600,000	-	-	NA**	NA**	NA**	NA**
Timothy Turner	700,000	-	-	(200,000)	500,000	500,000	500,000
Ivan Wu	8,500,000	-	-	NA**	NA**	NA**	NA**
Steve Shelton	5,000,000	-	-	500,000	5,500,000	5,500,000	5,500,000
John Hebenton	-	-	3,000,000	-	3,000,000	3,000,000	3,000,000
Rana Som	NA**	-	-	-	-	-	-
Swaminathan Thiagarajan	NA**	-	-	-	-	-	-
Subimal Bose	NA**	-	-	-	-	-	-
Ben Donovan	NA**	500,000	6,150,000	(785,000)	5,865,000	5,865,000	5,865,000
Total	**39,109,836**	**500,000**	**19,150,000**	**(22,994,836)**	**26,665,000**	**26,665,000**	**26,665,000**

* Net change other refers to options purchased, sold or expired during the financial year.
** Did not hold office at this date hence disclosure is not necessary.

(d) Loans to Key Management Personnel

There have been no loans made to key management personnel (2012: NIL).

(e) Other Transactions with Key Management Personnel

Refer to Note 18 for details on other transactions with key management personnel.

8. AUDITORS' REMUNERATION

	2013 $	2012 $
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	36,768	40,805
Total remuneration for assurance services	**36,768**	**40,805**

9. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash at bank and on hand	1,151,872	12,291,187
Short term bank deposits	965,974	1,137,174
	2,117,846	**13,428,361**

The effective interest rate on cash at bank was 2.36% (2012: 2.84%). The deposits have an average maturity of 6 months (2012: 6 months). Cash deposit of $199,174 has been pledged as security for a bank guarantee provided to the lessor. Refer further to Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

10. OTHER RECEIVABLES

	2013 $	2012 $
Current		
Sundry Receivables (b)	211,238	553,771
Loans receivable (a)	400,000	-
	611,238	**553,771**

(a) The loans receivable are current, unsecured and to related entities.
(b) As at 30 June 2013 receivables of $50,000 are past due but not impaired.
The ageing of the past due receivable is 8 months past the due date. The group does not hold any collateral in relation to this receivable.
(c) Fair value, credit risk and risk exposure
Due to the short term nature of the current receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of receivables mentioned above. Refer further to Note 22.

11. PLANT AND EQUIPMENT

	2013 $	2012 $
Furniture, fittings and equipment		
At cost	291,135	260,460
Accumulated depreciation	(160,656)	(86,126)
	130,479	174,334
Motor vehicles		
At cost	-	149,184
Accumulated depreciation	-	(147,426)
	-	1,758
TOTAL PLANT AND EQUIPMENT	**130,479**	**176,092**

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the financial year are set at below:

2013	Motor Vehicles $	Furniture, Fittings and Equipment $	Total $
Net carrying value at 1 July 2012	1,758	174,334	176,092
Additions	-	30,676	30,676
Disposals	(460)	-	(460)
Depreciation	(1,298)	(74,531)	(75,829)
Net Carrying Value at 30 June 2013	**-**	**130,479**	**130,479**
2012			
Net carrying value at 1 July 2011	39,054	78,356	117,410
Additions	-	163,375	163,375
Disposals	-	(28,564)	(28,564)
Depreciation	(37,296)	(38,833)	(76,129)
Net Carrying Value at 30 June 2012	**1,758**	**174,334**	**176,092**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

12. EXPLORATION AND EVALUATION EXPENDITURE

	2013 $	2012 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases – at cost	**14,302,047**	**13,709,370**
Movement in Carrying Amounts		
Carrying amount at the beginning of the year	13,709,370	9,995,587
Exploration assets acquired	3,092,789	-
Exploration expenditure capitalised	2,387,295	4,060,089
Less: Exploration written-off on areas to be relinquished	(4,887,407)	(346,306)
Carrying Amount at the End of the Year	**14,302,047**	**13,709,370**

The recoverability of the carrying amount of exploration and evaluation is dependent on:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and commercial exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Impairment of Exploration and Evaluation Assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators or impairment of these assets. Should an indicator exist, then the area of interest is tested for impairment. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

In addition, an allocation of the cost associated with acquired mineral rights to individual projects was performed during the year. This allocation process required estimates and judgement by management as to the fair value of those projects acquired.

Contingent Consideration

A $2,500,000 deferred performance based cash payment is payable to the vendor of EPC 2303 and EPC 2304 upon the delineation of a JORC compliant indicated resource across EPC 2303 and EPC 2304 of no less than 100MT of thermal coal with a calorific value greater than 5,000K cal/kg, within 5 years of 30 April 2012. This has not been booked as a liability at 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

13. AVAILABLE FOR SALE FINANCIAL ASSETS

	2013 $	2012 $
Shares in listed corporations at fair value	628,750	1,760,500
During the year, the movement in the balance is as follows:		
Opening balance 1 July 2012	1,760,500	3,500,000
Acquisitions	-	15,000
Fair value gain/(loss) on available-for-sale assets reserve (i)	(245,500)	(1,754,500)
Impairment	(886,250)	-
Closing balance 30 June 2013	**628,750**	**1,760,500**

(i) Fair value is determined by reference to quoted prices in an active market (ASX).

14. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current		
Trade payables	688,283	1,000,476
Sundry payables and accrued expenses	279,914	480,152
	968,197	**1,480,628**

Trade payables and sundry payables are non-interest bearing and are normally settled on 45 day terms.

15. EMPLOYEE BENEFITS

	2013 $	2012 $
Current		
Liability for annual leave	111,807	157,275
	111,807	**157,275**
Non Current		
Liability for long service leave	28,761	23,759
	28,761	**23,759**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

16. ISSUED CAPITAL

	2013 No	2012 No
581,308,502 Fully paid ordinary shares (30 June 2012: 581,283,502) (a)	581,308,502	581,283,502

	30 June 2013 No	30 June 2013 $	30 June 2012 No	30 June 2012 $
(a) Fully Paid Ordinary Shares				
At the Beginning of the Reporting Year	581,283,502	42,155,838	229,839,454	20,195,483
Shares Issued During the Reporting Year				
14 July 2011 – Conversion of convertible notes at $0.0909 per share	-	-	3,300,330	300,000
16 August 2011 – Conversion of convertible notes at $0.098 per share	-	-	3,006,012	300,000
15 September 2011 – Conversion of convertible notes at $0.1553 per share	-	-	1,931,745	300,000
12 October 2011 – Issue to corporate advisors at $0.11 per share	-	-	18,000,000	1,980,000
14 October 2011 – Conversion of convertible notes at $0.1066 per share	-	-	2,814,259	300,000
16 November 2011 – Options exercised	-	-	785,000	78,500
16 November 2011 - Conversion of convertible notes at $0.1072 per share	-	-	2,798,507	300,000
16 December 2011 – Conversion of convertible notes at $0.1039 per share	-	-	2,887,392	300,000
19 December 2011- Issue to corporate advisors at $0.135 per share	-	-	23,000,000	3,105,000
19 December 2011 – Issue to NMDC at $0.0655 per share	-	-	288,362,699	18,890,000
27 January 2012 – Conversion of convertible notes at $0.0981 per share	-	-	3,058,104	300,000
17 February 2012 – Options exercised	-	-	1,500,000	175,950
1 December 2012 – Options exercised	25,000	2,500	-	-
Transaction costs relating to share issues	-	-	-	(4,369,095)
At Reporting Date	**581,308,502**	**42,158,338**	**581,283,502**	**42,155,838**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held irrespective of the amount paid up or credited as paid up, less any amounts which remain unpaid on these shares at the time of the distribution.

At shareholders' meetings each share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

16. ISSUED CAPITAL (CONTINUED)

	30 June 2013 No	30 June 2012 No
(b) Options on Issue		
At the Beginning of the Reporting Year	219,500,094	120,034,619
Movement of Options on Issue During the Reporting Year		
9 August 2011 - Options issued to key management personnel	-	500,000
24 August 2011 - Employee options lapsed	-	(4,800,000)
15 September 2011 - Options issued to key management personnel	-	3,000,000
15 September 2011 - Options issued to consultant	-	1,600,000
16 November 2011 - Options exercised	-	(785,000)
19 December 2011 - Options issued to consultant	-	19,950,000
19 December 2011 - Options issued to key management personnel	-	16,150,000
19 December 2011 - Options issued to NMDC	-	155,649,619
7January 2012 - Options expired	-	(90,299,144)
10 May 2012 - Options exercised	-	(1,500,000)
1 December 2012 – Options exercised	(25,000)	-
31 December 2012 – Options expired	(58,885,094)	-
7 January 2103 – Options expired	(56,000,000)	-
22 February 2013 – Options issued to key management personnel (i)	11,100,000	-
26 April 2013 – Options issued to consultants (i)	10,330,000	-
26 April 2013 – Options issued to consultants	19,658,908	-
At Reporting Date	**145,678,908**	**219,500,094**

(i) Upon exercise, the option holder is entitled to receive a further piggyback option exercisable at $0.25 on 7 January 2016.

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity. Refer further to Note 24 Share Based Payments for details of options granted, lapsed, exercised and expired.

(c) Capital Management

The Board as a whole controls the capital of the Group in order to ensure the Group can fund its operations and continue as a going concern. The Directors oversee the risk management strategy.

The Group's capital consists of financial liabilities supported by financial assets. There are no externally imposed capital requirements. The Board effectively manage the Group's capital by assessing the Group's financial risks and responding to changes in these risks and in the market. This strategy is to ensure that there is sufficient cash to meet trade payables and ongoing exploration expenditure commitments. The Group is dependent on its ability to raise capital from the issue of equity from time to time.

17. RESERVES

	2013 $	2012 $
Option Premium Reserve (a)	90,539	90,539
Share-Based Payment Reserve (b)	16,242,084	15,336,500
Financial Asset Reserve (c)	-	245,500
	16,332,623	**15,672,539**
(a) Option Premium Reserve		
Balance at the beginning of the reporting year	90,539	90,539
Premiums received from the issue of options	41,089	-
Less transaction costs relating to option issues	(41,089)	-
Balance at the end of the reporting year	**90,539**	**90,539**

The option premium reserve is used to recognise premiums paid by option holders, net of transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

17. RESERVES (CONTINUED)

(b) Share Based Payment Reserve

	2013 $	2012 $
Balance at the beginning of the reporting period	15,336,500	12,215,104
Vesting of employee option	-	4,657
14 July 2011 – 3,000,000 options issued to key management personnel	-	456,240
15 September 2011 – 1,600,000 options issued to consultant	-	194,438
19 November 2011 – 16,800,000 options issued to consultants as consideration for capital raising	-	1,250,300
19 November 2011 – 3,150,000 options issued to consultant	-	234,432
19 November 2011 – 16,150,000 options issued to key management personnel	-	981,329
25 February 2013 – 11,100,000 options issued to key management personnel	183,150	-
16 April 2013 – 29,988,908 options issued to consultants	722,434	-
Balance at the end of the reporting year	**16,242,084**	**15,336,500**

Refer to Note 24 for further details on share-based payments.

(c) Financial Asset Reserve

Balance at the beginning of the reporting period	245,500	2,000,000
Revaluation/(Devaluation)	-	(1,754,500)
Impairment of asset	(245,500)	-
Balance at the end of the reporting period	**0**	**245,500**

The financial assets reserve records revaluation of Available-for-Sale financial assets.

18. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent Entity

The parent entity within the group is Legacy Iron Ore Limited.

(b) Subsidiary

Interest in the subsidiary is set out in Note 27.

(c) Key Management Personnel Remuneration

Key management personnel remuneration is as follows:

	2013 $	2012 $
Short-term employee benefits	881,599	1,178,317
Post employment benefits	123,725	68,750
Share-based payments	183,150	1,442,227
TOTAL	**1,188,474**	**2,689,294**

Details of key management personnel remuneration are disclosed in the Remuneration Report section of the Directors' report. Refer to Note 7 for shares and options issued to key management personnel and their personally related entities during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

18. RELATED PARTY TRANSACTIONS (CONTINUED)

Other Transactions with Key Management Personnel and Their Personally Related Entities

	2013 $	2012 $
Provision of accountancy services by Hewitt Turner & Gelevitis, an entity related to Director, Mr Timothy Paul Turner	96,144	82,325
Provision of consultancy services by Precipio Capital Pty Ltd, an entity Related to Company Secretary, Mr Benjamin Donovan	-	2,000
Remuneration to closely related family member of Director, Ms Sharon Heng	213,400	61,403
Remuneration to closely related family member of Exploration Manager, Mr Stephen Shelton, including share based payment	227,592	213,095
Remuneration to other closely related family members of Exploration Manager, Mr Stephen Shelton	9,702	8,448
Outstanding balances arising from these transactions		
Sundry receivables	-	32,110
Trade and other payables	(33,434)	(59,341)
Employee benefits	(76,783)	(136,475)

19. SEGMENT INFORMATION

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources.

The Group is managed on the basis of there being 3 (three) reportable segments being:
(i) Gold exploration and development in Australia;
(ii) Iron ore exploration and development in Australia; and
(iii) Coal exploration and development in Australia.

The mineral assets held via outright ownership or joint venture are considered 3 (three) business segments being gold, iron ore and coal in Australia.

Basis of accounting for purposes of reporting by operating segments:

(a) Accounting Policies Adopted
Unless otherwise stated, all amounts reported to the Board of Directors, being the Chief Operating Decision Makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the financial statements of the Group.

(b) Inter-Segment Transactions
There are no inter-segment transactions. Segment assets are clearly identifiable on the basis of their nature. Segment liabilities include trade and other payables.

(c) Corporate charges are not allocated to reporting segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

19. SEGMENT INFORMATION (CONTINUED)

Segment Performance 2013	Western Australia Iron Ore $	Western Australia Gold $	Coal $	Corporate $	Total $
SEGMENT REVENUE	-	-	-	209,903	**209,903**
SEGMENT NET LOSS BEFORE TAX					
Exploration tenements written off	4,670,409	216,998	-	-	4,887,407
Depreciation	-	-	-	75,829	75,829
Impairment of available for sale financial assets	886,250	-	-	-	886,250
Corporate charges	-	-	-	6,364,952	6,364,952
Segment loss before tax	5,556,659	216,998	-	6,440,781	**12,214,438**
SEGMENT ASSETS	8,645,491	2,805,729	3,479,576	2,859,564	**17,790,360**
Segment asset increases/(decreases) for the year:	(4,677,012)	658,362	3,479,576	(11,298,660)	(11,837,734)
SEGMENT LIABILITIES	-	-	-	1,108,765	**1,108,765**

Segment Performance 2012	Western Australia Iron Ore $	Western Australia Gold $	Coal $	Corporate $	Total $
SEGMENT REVENUE	-	-	-	211,738	**211,738**
SEGMENT NET LOSS BEFORE TAX					
Exploration tenements written off	-	346,306	-	-	346,306
Depreciation	-	-	-	76,129	76,129
Corporate charges	-	-	-	9,406,355	9,406,355
Segment loss before tax	-	346,306	-	9,270,746	**9,617,052**
SEGMENT ASSETS	13,322,503	2,147,367	-	14,158,224	**29,628,094**
Segment asset increases/(decreases) for the year:	1,775,826	197,957	-	12,632,188	14,605,971
SEGMENT LIABILITIES	-	-	-	1,661,662	**1,661,662**

The available-for-sale investment in Hawthorn Resources Limited has been reclassified from corporate into the iron ore segment to more accurately reflect the iron ore nature of this investment.

20. EVENTS SUBSEQUENT TO REPORTING DATE

- **Acquisition of Yundamindera Project**

On 9 July 2013, Legacy Iron announced it signed a term sheet with the Ling prospecting syndicate on a contiguous package of gold tenements termed the Yundamindera Project.

Under the terms of the Term Sheet, Legacy Iron or nominee can earn a staged interest in the project area by committing exploration funds of $150,000 and a further $250,000 to earn a 60% and 80% interest respectively. Legacy Iron must spend at least $100,000 prior to withdrawal, of which $50,000 is to be expended in direct drilling costs. At completion of the earn-in period, the parties will contribute expenditure pro-rata with normal dilution clauses applying. The vendors will remain at a minimum of 10% interest post any dilution. In the event a decision is made to commence a Bankable Feasibility Study, the Vendors will contribute in proportion to their interest at the time, or withdraw from the Joint Venture and convert its Joint Venture interest to a 2% Net Smelter Royalty. The agreement also provides for the initial payment of some $30,000 cash plus reimbursement for tenement costs, plus $50,000 in fully paid shares in Legacy Iron or its spin off entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

20. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

- **Acquisition of Manbarrum Project**

On 26 August 2013, Legacy Iron announced that it had entered into a conditional binding term sheet with TNG Limited, to acquire the 100% owned Manbarrum Zinc-Lead-Silver project for total consideration of $5 million, being an initial cash payment of $2 million and a deferred payment of $3 million in cash of shares on the transfer of the tenements. The agreement remains subject to regulatory and due diligence approvals.

- **Securing Convertible Note Funding**

Legacy Iron withdrew its 3:4 non-renounceable entitlement offer at 5.7 cents per share.

On 9 September 2013, Legacy Iron announced the issue of a convertible note to The Australian Special Opportunity Fund LP for $1,000,000 for working capital purposes. A total of 2,380,952 shares were issued at $0.042 in satisfaction of a $100,000 commencement fee.

The principle terms of the Note are:

(i) A$1,000,000 sum with a A$1,150,000 face value.

(ii) The Note comes with a commencement fee equivalent to $100,000 to be paid in shares at 90% of the average of three (3) consecutive daily VWAPs per as selected by the Investor in its sole discretion, during the twenty (20) consecutive Trading Days immediately prior to the relevant Conversion Notice Date (Conversion Price). This equates to the 2,380,952 shares.

(iii) The investor can convert the Note into fully paid ordinary shares for an amount of between $50,000 and $150,000 at the Conversion Price at their discretion at any time after the Lock-Up Period. The Lock-Up period being 90 days after execution of the Note.

(iv) Within 3 business days of the Lock-Up Period the Company must redeem A$500,000 of the Note via the payment of the cash equivalent.

(v) The Company has the option of redeeming the Note by paying the full face value during the Lock-Up Period.

(vi) The Note contains a floor price of $0.03. Should the Conversion Price fall below the floor price and the Investor chooses to convert some of the Note to shares, the Company can choose to repay that amount of the Note chosen to be converted by the Investor at that time, or repay that amount by cash by repaying 105% of the value of the amount chosen to be converted.

(vii) The Convertible Securities do not carry any voting rights at meetings of shareholders of the Company, and have no rights of participation in any rights issue undertaken by the Company prior to conversion of the Convertible Securities.

(viii) The Term of the Convertible Securities is for 24 months.

- **Access to Debt Funding**

NMDC Limited (49.4% shareholder of Legacy Iron) has agreed to provide a guarantee to enable Legacy Iron to arrange loan facilities with its bankers of up to $3 million.

No other matter or circumstance has arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

20. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

- **Mt Bevan**

On 20 September 2013, Hawthorn Resources Limited announced that it had made a payment of $416,000 in relation to the cash call sought by the Company in connection with Hawthorn's 40% contribution of expenditure on the Mt Bevan project. The Company is reviewing this position.

21. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

	2013 $	2012 $

(a) Lease Commitments

Commitments in relation to non-cancellable operating leases not recognised as liabilities:

	2013 $	2012 $
Within 1 year	392,862	32,914
Later than 1 year but not later than 5 years	19,104	11,164
Later than 5 years	-	-
	411,966	**44,078**

The property lease is a non-cancellable sub-lease with a fixed term of 2 years and 9 months with rent payable monthly in advance. The lease does not allow for further subletting of the leased area. Cash deposit of $199,174 has been pledged as security for a bank guarantee provided to the lessor.

(b) Minimum Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Group has the following discretionary exploration expenditure and rental requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2013 $	2012 $
Within 1 year	1,891,192	997,377
Later than 1 year but not later than 5 years	4,448,586	1,315,965
Later than 5 years	2,075,857	1,379,132
	8,415,635	**3,692,474**

If the Group decides to relinquish certain leases and/or does not meet these requirements, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations.

22. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

Derivatives are not used by the Group.

(i) Treasury Risk Management

The Board analyses financial risk exposure and evaluates treasury strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Policies (continued)

(ii) Financial Risk Exposure and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

Exposure to interest rate arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or fair value of fixed financial instruments. Interest rate risk is managed by the Group only using fixed rates on debt. Refer to Note 22(b)(ii) for further details on interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast and actual cash flows. Trade and other payables have contractual maturities of six (6) months or less.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no other material amounts of collateral held as security at 30 June 2013.

The Board manages credit risk by only depositing cash with Australian Authorised deposit taking institutions.

The Group has not taken out any security or guarantees over loans receivable. Management does not expect any counterparty in respect of other receivables to fail to meet its obligations.

The carrying amount of the Group's financial assets represents the maximum credit exposure:

	2013 $	2012 $
Other receivables	611,238	553,771
Cash and cash equivalents	2,117,846	13,428,361
Available for Sale Financial Investments	628,750	1,760,500
	3,357,834	**15,742,632**

$50,000 of the Group's other receivables are past due (2012: NIL). Refer to Note 10.

(b) Financial Instruments

(i) Derivative Financial Instruments

Derivative financial instruments are not used by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amount may not reconcile to the Statement of Financial Position.

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing within 1 Year $	Maturing over 1 year, less than 5 Years $	Non-Interest Bearing Maturing within 6 months $	Total $
Financial Assets						
Cash & cash equivalents	2.36	1,150,872	965,974	-	1,000	2,117,846
Loans & receivables	4	-	200,000	-	411,238	611,238
Available for Sale Financial Investments		-	-	628,750	-	628,750
		1,150,872	1,165,974	628,750	412,238	3,357,834
Financial Liabilities (at Amortised Cost)						
Trade & other payables		-	-	-	968,197	968,197
		-	-	-	968,197	968,197
Net Financial Assets/(liabilities)		**1,150,872**	**1,165,974**	**628,750**	**(555,959)**	**2,389,637**

2012	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing within 1 Year $	Maturing over 1 year, less than 5 Years $	Non-Interest Bearing Maturing within 6 months $	Total $
Financial Assets						
Cash & cash equivalents	2.84	12,290,187	1,137,174	-	1,000	13,428,361
Loans & receivables		-	-	-	553,771	553,771
Available for Sale Financial Investments		-	-	1,760,500	-	1,760,500
		12,290,187	1,137,174	1,760,500	554,771	15,742,632
Financial Liabilities (at Amortised Cost)						
Trade & other payables		-	-	-	1,480,628	1,480,628
		-	-	-	1,480,628	1,480,628
Net Financial Assets/(liabilities)		**12,290,187**	**1,137,174**	**1,760,500**	**(925,857)**	**14,262,004**

All trade and sundry payables are expected to be paid in less than 6 months.

(iii) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value.
The available for sale financial investment's fair value has been determined using Level 1 inputs, ie quoted prices in active markets. The fair value of these financial assets has been based on the closing quoted bid prices at reporting date, excluding transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Sensitivity Analysis

Interest Rate Risk
The Group has performed a sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis
As 30 June 2013, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	(Higher)/Lower	
	2013 $	2012 $
(Increase)/Decrease in loss		
- Increase in interest rate by 100 basis points	11,236	122,334
- Decrease in interest rate by 100 basis points	(11,236)	(122,334)
Change in equity		
- Increase in interest rate by 100 basis points	11,236	122,334
- Decrease in interest rate by 100 basis points	(11,236)	(122,334)

The movements in the loss for the year are due to higher/lower interest revenue from cash balances.

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

23. CASH FLOW INFORMATION

	2013 $	2012 $
(i) Reconciliation of Cash Flows from Operating Activities with Loss from or after Income Tax		
- Loss from ordinary activities after income tax	(11,947,420)	(9,617,052)
Non-cash flows in loss from ordinary activities		
- Share-based payments expense	905,584	3,851,096
- Depreciation	75,829	76,129
- Exploration tenements written off	4,887,407	346,306
- Impairment of available for sale financial assets	886,250	-
- (Profit)/Loss from sale of fixed assets	(20,240)	22,693
Changes in assets and liabilities		
- (Increase)/decrease in other receivables	137,209	(121,641)
- Increase/(decrease) in trade and other payables	(124,253)	564,517
- Increase/(decrease) in employee benefits	(150,111)	199,829
Net Cash Outflows from Operating Activities	**(5,349,745)**	**(4,678,123)**
(ii) Non-Cash Financing and Investing Activities		
- Capital raising costs paid for by way of issue of options	-	1,250,300
	-	**1,250,300**
(iii) Borrowing facility		
Used	-	-
Unused	-	-
Total Facility	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

24. SHARE-BASED PAYMENTS

During the last two financial years the following options were granted to Directors, employees, promoters, vendors, lenders and advisers for no consideration as part of their remuneration package and/or ongoing support of the Group. All options granted confer a right of one ordinary share for every option held. Options granted under the plan carry no dividend or voting rights.

Option Grantee	Grant Date	Expiry Date	Exercise Price $	Granted during Year No	Exercisable at End of Year No	Note
Key Management Personnel	14/7/2011	23/12/2015	0.10	3,000,000	2,215,000	
Corporate Advisors	15/9/2011	1/4/2015	0.25	1,600,000	1,600,000	
Corporate Advisors	16/11/2011	31/12/2015	0.25	23,100,000	23,100,000	
Key Management Personnel	16/11/2011	31/12/2013	0.25	3,000,000	3,000,000	
Key Management Personnel	16/11/2011	31/12/2014	0.25	2,000,000	2,000,000	
Key Management Personnel	16/11/2011	31/12/2014	0.30	2,000,000	2,000,000	
Key Management Personnel	16/11/2011	31/12/2014	0.35	2,000,000	2,000,000	
Key Management Personnel	16/11/2011	31/12/2014	0.40	2,000,000	2,000,000	
Key Management Personnel	16/11//2011	31/12/2014	0.45	2,000,000	2,000,000	
Key Management Personnel	25/2/2013	7/1/2015	0.22	11,100,000	11,100,000	(i)
Corporate Advisors	16/4/2013	31/12/2014	0.10	11,354,383	11,354,383	
Corporate Advisors	16/4/2013	31/12/2014	0.15	8,304,525	8,304,525	
Corporate Advisors	16/4/2013	7/1/2015	0.22	10,330,000	10,330,000	(i)

(i) These are options which, upon exercise entitle the option holder to receive a further piggyback option exercisable at $0.25 on 7 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

24. SHARE-BASED PAYMENTS (CONTINUED)

Fair Value of Options and Performance Shares Granted

The fair value of the options granted to employees, directors, lenders and advisors is deemed to represent the value of the employees, directors, lenders or advisors services received over the vesting period.

The assessed fair values at grant date of options granted during the year ended 30 June 2013 are set out in the tables below. The fair values at grant date are independently determined using a Binomial or Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield, the probability of the share price reaching forecast target and the risk free interest rate for the term of the option. No allowance has been made for the effects of early exercise.

The weighted average fair value of options granted during the year was $0.022 (2012: $0.0743).

The following inputs were applied into the pricing model:

	2013	2012
Weighted average price per share	$0.078	$0.1407
Weighted average exercise price	$0.17	$0.22
Weighted average life of the option	1.94 years	3.63 years
Weighted average expected share price volatility	90%	100%
Weighted average risk free interest rate	2.64%	3.24%
Expected dividend yield	0%	0%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

Total amounts arising from share based payment transactions recognised during the year are as follows:

	2013 $	2012 $
Statement of Comprehensive Income	905,584	3,851,096
Recognised directly in equity		
- Capital raising expenses	-	1,250,300
	905,584	**5,101,396**

The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at 1 July	$0.20	291,500,094	$0.19	120,034,619
Granted during the year	$0.17	41,088,908	$0.22	196,849,619
Forfeited during the year	$0.17	(114,885,094)	$0.22	(95,099,144)
Exercised during the year	$0.10	(25,000)	$0.11	(2,285,000)
Outstanding and exercisable at 30 June	$0.22	145,678,908	$0.20	219,500,094

The weighted average remaining contractual life of options outstanding at year end was 1.90 years (2012: 2.13 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

25. INTERESTS IN JOINT VENTURES

The Group has an interest in the following joint venture:

	2013 $	2012 $
Mt Bevan (Hawthorn Resources Limited)	60%	60%

The Company entered into a joint venture agreement with Hawthorn Resources Limited to farm into the Mt Bevan iron ore project. On 18 June 2012, the Group had satisfied all conditions and earned a 60% interest in the Mt Bevan iron ore tenements. The principal activity of the joint venture is mineral exploration.

The Company's interest in the joint venture is included in the Statement of Financial Position in accordance with the accounting policy described in note 1(q) under the following classifications:

	2013 $	2012 $
Exploration and evaluation expenditure	5,149,540	4,325,222
	5,149,540	**4,325,222**

Legacy earned the 60% interest in the Mt Bevan project through the expenditure of $3,500,000 on exploration to a pre-feasibility stage. The Mt Bevan iron ore project is now proceeding as a jointly managed programme through a joint venture technical committee. Further contributions in excess of the $3,500,000 minimum are to be shared in proportion to the participants' relative interests in the project. Legacy is expected to be reimbursed for 40% of the expenditure in excess of $3,500,000 however at 30 June 2013 this expenditure had not yet been validated by the other joint venture participant as approved works. This 40% reimbursement has not been brought to account at 30 June 2013 and 30 June 2012 and accordingly 100% of the expenditure had been booked as exploration and evaluation expenditure.

Included in the Group commitments (Note 21(c)) are the following commitments in relation to the joint venture:

Minimum Exploration Expenditure Commitments	2013 $	2012 $
Not later than 1 year	247,099	160,463
Later the 1 year but not later than 5 years	7,337	18,718
Later than 5 years	-	-
	254,436	**179,181**

26. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	2013 $	2012 $
Current Asset	**1,829,894**	13,982,132
Total Assets	**17,791,270**	29,628,094
Current Liabilities	**(968,197)**	(1,637,903)
Total Liabilities	**(1,108,765)**	(1,661,662)
Net Assets	**16,682,505**	27,966,432
Shareholders' Equity		
Issued Capital	**42,158,338**	42,155,838
Reserves	**16,332,623**	15,672,539
Accumulated Losses	**(41,808,456)**	(29,861,945)
	16,682,505	27,966,432
Loss of the Year	**(11,946,511)**	(9,617,052)
Total Comprehensive Loss of the Year	**(12,192,011)**	(11,371,552)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

26. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Contractual Commitments of the Parent Entity

Refer to Note 21 for contractual commitments. All commitments relate to the parent entity.

(c) Contingent Liabilities and Guarantees of the Parent Entity

The parent entity did not have any contingent liabilities or guarantees as at 30 June 2013 or 30 June 2012.

27. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of Incorporation	Class of shares	Equity Holding 2013 %	Equity Holding 2012 %
Legacy Gold Limited	Australia	Ordinary	100%	-

DIRECTORS' DECLARATION

1 The Directors of the Company declare that:

(a) the financial statements and notes as set out on the accompanying pages, are in accordance with the Corporations Act 2001 including:

(i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory financial reporting requirements; and

(ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

(b) 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer; and

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

Sharon Heng
Director
Perth
27 September 2013

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Independent Auditor's Report
To the Members of Legacy Iron Ore Limited

Report on the financial report

We have audited the accompanying financial report of Legacy Iron Ore Limited (the 'Company'), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other 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 consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

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

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $11,947,421 during the year ended 30 June 2013 and, net cash outflows from operations of $5,349,745. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report

Report on the remuneration report

We have audited the remuneration report included in pages 41 to 47 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Legacy Iron Ore Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 27 September 2013

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of unrestricted equity securities in the Company as at 26 September 2013 were as follows:

Category (Size of Holding)	Fully Paid Ordinary Shares
1-1,000	76
1,001-5,000	81
5,001-10,000	178
10,001-100,000	630
100,001 and over	291
Totals	**1,256**

The number of shareholdings held in less than a marketable parcel is four hundred twenty two (422) holders.

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as 26 September 2013:

Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. NMDC Limited	288,362,699	49.40
2. Le Heng Sharon Kia	50,163,603	8.59

Equity Securities

There are 115,690,000 unlisted options held by sixteen (16) option holders.

Option Holders	Number of Unlisted Options Held	% Held of Unlisted Options
1. NMDC Limited	53,045,000	45.85
2. Le Heng Sharon Kia	22,800,000	19.71
3. Purkis Limited	8,400,000	7.26
4. Burnbank Limited	8,400,000	7.26

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options
The options have no voting rights.

ADDITIONAL SHAREHOLDER INFORMATION (CONTINUED)

Twenty Largest Share Holders

The names of the twenty largest ordinary fully paid shareholders as at 26 September 2013 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. NMDC Limited	288,362,699	49.40
2. HSBC Custody Nominees Australia Limited	49,134,880	8.42
3. Le Heng Sharon Kia	48,231,671	8.26
4. DBS Vickers Securities Singapore	17,355,000	2.97
5. Purkis Pty Ltd	9,000,000	1.54
6. Elohim Nominees Pty Ltd	5,160,002	0.88
7. HSBC Custody Nominees Australia Limited	4,862,252	0.83
8. Maio Vincenzo	3,600,000	0.62
9. Artking Holdings Pty Ltd	3,510,853	0.60
10. Spasojevic Lucia	3,510,000	0.60
11. Citicorp Nominees Pty Ltd	3,463,455	0.59
12. UOB Kay Hian Private Limited	3,434,317	0.59
13. Masterbrands Australia Pty Ltd	3,052,133	0.52
14. Viney Craig Charles	2,100,000	0.36
15. Bellotti Rodney Laurence	2,005,000	0.34
16. Western Resources Australia Pty Ltd	2,000,000	0.34
17. Vantage Corporation Advisory	2,000,000	0.34
18. Azizi Antanous	2,000,000	0.34
19. Todd Niloufer	1,944,000	0.33
20. Le Heng Sharon Kia	1,931,932	0.33
	456,658,194	**78.20**

SCHEDULE OF MINERAL TENEMENTS
AS AT 26 SEPTEMBER 2013

The Company has an interest in the gold rights of the following tenements:

Tenement	Holder/Applicant	Shares Held/Interest	Area Size
Gold			
E80/4220	Legacy Iron Ore Limited	100%	2 Blocks
E80/4221	Legacy Iron Ore Limited	100%	33 Blocks
E31/0912	Legacy Iron Ore Limited	100%	14 Blocks
E39/1435	Legacy Iron Ore Limited	100%	2 Blocks
E31/0928	Legacy Iron Ore Limited	100%	19 Blocks
E31/0862	Legacy Iron Ore Limited	100%	5 Blocks
E31/0861	Legacy Iron Ore Limited	100%	11 Blocks
E39/1748	Legacy Iron Ore Limited	Pending	70 Blocks
E31/0952	Legacy Iron Ore Limited	100%	7 Blocks
P31/1927	Legacy Iron Ore Limited	100%	144 Hectares
P31/1928	Legacy Iron Ore Limited	100%	142 Hectares
P31/1929	Legacy Iron Ore Limited	100%	129 Hectares
P31/1930	Legacy Iron Ore Limited	100%	186 Hectares
P31/1931	Legacy Iron Ore Limited	100%	179 Hectares
P31/1972	Legacy Iron Ore Limited	100%	171 Hectares
M31/0426	Legacy Iron Ore Limited	100%	29 Hectares
E39/1443	Legacy Iron Ore Limited	100%	9 Blocks
P39/5001	Legacy Iron Ore Limited	100%	174 Hectares
P31/5002	Legacy Iron Ore Limited	100%	190 Hectares
P31/5003	Legacy Iron Ore Limited	100%	190 Hectares
P31/5004	Legacy Iron Ore Limited	100%	56 Hectares
P31/5005	Legacy Iron Ore Limited	100%	96 Hectares
P31/5006	Legacy Iron Ore Limited	100%	6 Hectares
P31/5007	Legacy Iron Ore Limited	100%	82 Hectares
M31/0427	Legacy Iron Ore Limited / Cazaly Resources	90% / 10%	91 Hectares
P31/1746	Legacy Iron Ore Limited / Cazaly Resources	90% / 10%	200 Hectares
E31/1019	Legacy Iron Ore Limited / Cazaly Resources	90% / 10%	1 Block
E31/1020	Legacy Iron Ore Limited / Cazaly Resources	90% / 10%	1 Block
M31/0107*	Murrin Murrin Holdings / Glenmurrin Pty Ltd	90%	456 Hectares
M31/0229*	Murrin Murrin Holdings / Glenmurrin Pty Ltd	90%	78 Hectares
M31/0230*	Murrin Murrin Holdings / Glenmurrin Pty Ltd	90%	629 Hectares

SCHEDULE OF MINERAL TENEMENTS
AS AT 26 SEPTEMBER 2013 (CONTINUED)

The Company has an interest in the iron ore rights of the following tenements:

Tenement	Holder/Applicant	Shares Held/Interest	Area Size
Iron Ore			
E46/0818	Legacy Iron Ore Limited	100%	123 Blocks
E47/1868	Legacy Iron Ore Limited	100%	6 Blocks
E47/1869	Legacy Iron Ore Limited	100%	10 Blocks
E29/0865	Legacy Iron Ore Limited	100%	16 Blocks
E29/0510	Legacy Iron Ore Limited / Hawthorn Resources Limited	60% / 40%	59 Blocks
E29/0713	Legacy Iron Ore Limited / Hawthorn Resources Limited	60% / 40%	4 Blocks

The Company has an interest in the coal rights of the following tenements:

Tenement	Holder/Applicant	Shares Held/Interest	Area Size
Coal			
EPC 2303	Legacy Iron Ore Limited	100%	300 Blocks
EPC 2304	Legacy Iron Ore Limited	100%	300 Blocks
EPC 2580	Legacy Iron Ore Limited	100%	300 Blocks

*The Company has a 90% interest in the gold rights of these tenements.

Key to Tenement Schedule
EPC – Exploration Permit for Coal
E - Exploration Licence
P - Prospecting Licence
M - Mining Licence

CORPORATE GOVERNANCE STATEMENT

Legacy Iron Ore Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3	✓		Recommendation 8.2		✓
Recommendation 3.4	✓		Recommendation 8.3	n/a	n/a
Recommendation .3.5		n/a	Recommendation 8.4[3]	n/a	n/a
Recommendation 4.1	✓				
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.legacyiron.com.au, under the section marked Corporate Governance.

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2012/2013 financial year ("**Reporting Period**").

Principle 1 – Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:
The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging

appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent Director, as appropriate.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The Chair is responsible for evaluating the senior executives. The Chair evaluates the senior executives by holding informal discussions with the senior executives on an ongoing basis, as required. It is envisaged that in the coming period, a more formal process for evaluation will be implemented.

Recommendation 1.3: Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:
During the Reporting Period, a review of senior executives occurred with the Managing Director reporting to the Board via informal evaluations.

Principle 2 – Structure the Board to Add Value

Recommendation 2.1: A majority of the Board should be independent directors. As at 30 June 2012, the following Directors were appointed to the Board of the Company:

Name	Position	Independent
Mr Narendra Kumar Nanda	Non-Executive Chairman	No
Ms Sharon Heng	Managing Director/ Executive Director	No
Mr Swaminathan Thiagarajan	Non-Executive Director	No
Mr Timothy Turner	Non-Executive Director	Yes
Mr Subimal Bose	Non-Executive Director	No

An independent Director is defined as a Non-Executive Director and;

- Is not a substantial shareholder of the Company or an officer of or directly or indirectly associated with a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- Within the past three years has not been a principal of a material professional advisor or a material consultant to the Company or an employee associated with a such a material service provider or advisor; and,
- Does not have a material contractual relationship with the Company other than as a Director of the Company.

Disclosure:
The Board comprises five Directors, with Mr Turner being the only independent, The remaining Directors are not independent because Ms Heng is employed in an executive capacity, and Mr Nanda, Mr Thiagarajan and Mr Bose are nominees of the largest shareholder in the Company. The Board considers that the merits of appointing additional Directors in order to achieve majority independent status are outweighed by the Board’s wish to maintain a relatively small Board of five Directors, which

the Board believes is adequate having regard to the operations of the Company.

Recommendation 2.2: The Chair should be an independent Director.

Disclosure:
The Chair of the Board since December 2011 has been Mr Narendra Kumar Nanda and is a nominated representative of the largest shareholder. He is not deemed to be independent.

Recommendation 2.3: The roles of the Chair and Chief Executive Officer (or equivalent) should not be exercised by the same individual.

Disclosure:
During the Reporting Period Mr Narendra Kumar Nanda were chair of the Company with the Managing Director position carried out by Ms Sharon Heng.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure:

The Nomination Committee consists of 3 members being Mr Nanda, Ms Heng and Mr Thiagarajan. Given the size of the Board none of the members are considered independent directors. The Committee has a charter setting out the criteria and responsibilities for the selection of new Directors.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

The Chair evaluates the Board, individual Directors, any applicable committees and the Managing Director by holding informal discussions with these parties on an ongoing basis, as required. Each new director is required to complete an induction process.

Recommendation 2.6: Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:
Skills, Experience, Expertise and Term of Office of Each Director
A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent Director of the Company is Mr Tim Turner. Mr Turner is independent as he is a Non-Executive Director who is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Group's Materiality Thresholds
The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Statement of Financial Position items are material if they have a value of more than 10% of net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement Concerning Availability of Independent Professional Advice
If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters
The Nomination Committee did not meet during the period.

Principle 3 – Promote Ethical and Responsible Decision-Making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:
The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Company has established a diversity policy, which encourages and fosters an environment where individual differences of employees are recognised. The Company's policy recognises the need for women to be employed in the business and actively sets targets for the number of women employed in different roles, the comparative remuneration and seeks to establish a workforce free of harassment arising out of gender, race or age.

The Board is looking to implement KPI's as an incentive for achieving these targets. Whilst no KPI's have been implemented, such KPI's may include the number of females working within the Company in particular in the exploration teams, at least one female being shortlisted for every vacancy in the Company and the participation of females in talent development programs.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Disclosure:
As above.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:
The Company employs the following ratio of women and men throughout the organisation and its subsidiaries as employees:

Women – 23%

Men – 77%

Recommendation 3.5: Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1 and Recommendation 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of independent Directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

Disclosure:
The Board has established an Audit committee that is structured in accordance with Recommendation 4.2. Mr Thiagarajan is the chair of committee along with Mr Nanda and Ms Heng. While Mr Nanda and Mr Thiagarajan are considered Non-Executive Directors, given the size of the Board they along with Ms Heng are no considered independent.

Recommendation 4.3: The Audit Committee should have a formal charter.

Disclosure:
The Company has adopted an Audit Committee Charter which sets out the responsibilities and role of the Committee and how it reports to the Board.

Recommendation 4.4: Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:
The Audit Committee met twice during the Reporting Period. The Audit Committee has adopted an Audit Committee Charter.

Details of each of the Director's qualifications are set out in the Directors' Report. The Chairman of the Audit Committee has formal qualifications in the area of accounting and insolvency, while the other members have industry knowledge and experience and consider themselves to be financially literate. Further, the Company's Audit Committee Charter provides that the Board meet with the external auditor without management present, as required.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:
The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policies also include

examples of disclosure requirements and who can communicate with media outlets.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:
Please refer to the section marked Website Disclosures.

Principle 6 – Respect the Rights of Shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:
The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This includes all relevant information being disclosed on the Company's website and a regular email mail out of announcements.

Recommendation 6.2: Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:
Please refer to the section marked Website Disclosures.

Principle 7 – Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:
The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director and the Chief Financial Officer/ Chief Executive Officer are responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Group's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:
Management report to the Board as to the effectiveness of the Company's management of its material business risks via the Audit Committee meetings. In addition at every board meeting, the Board is provided with an update to ensure all relevant risks and systems are in place and working effectively.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
The Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4: Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:
The Board has received an informal report from management under Recommendation 7.2.
The Board has received the assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1 and 8.2: The Board should establish a Remuneration Committee, which consists of mainly independent Directors.

Disclosure:

The Company has established a Remuneration Committee. The Committee has adopted a formal charter setting out the responsibilities and considerations in determining remuneration of Executives and Non-Executives. The Committee consists of Mr Nanda as Chairman, with Ms Heng and Mr Thiagarajan as members. Given the size of the Company none of the members are considered to be independent given they are employed as an executive or represent a major shareholder. The Board considers the remuneration committee is sufficient given the size of the Board.

Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

Disclosure:

Non-Executive Directors are remunerated at a fixed fee for their time and their responsibilities to various committees.

The Non-Executive Directors are however eligible to participate in the Company's incentive plan. The Board considers that this is a necessary motivation to attract the highest calibre candidates to the Board at this stage in the Company's operations.

Recommendation 8.4: Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

Disclosure:
Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee met once during the Reporting Period to amongst other items, discuss the employments terms of the Managing Director and recently appointed Non-Executive Directors. To assist the Remuneration Committee, it has adopted a Remuneration Committee Charter.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

Securities Trading Policy

The Company has also established a policy concerning trading in the Company's securities by Directors, senior executives and employees.

The policy includes blackout periods where no trading in Group securities shall take place between:

(ix) Up to and including five (5) weeks prior to the announcement of the annual results, due to be lodged by no later than 30 September of each calendar year;

(x) Up to and including five (5) weeks prior to the announcement of the half year results, due to be lodged by no later than 31 March of each calendar year; and

(xi) The last two (2) week period of the months of January, April, July and October prior to the release of the quarterly results for the periods ending 31 December, 31 March, 30 June and 30 September; or

(xii) as directed in writing by the Company's Board at any time in its sole discretion.

If Directors including the Managing Director wish to trade securities outside the blackout period, they must obtain approval from the Chairman. Employees must obtain the approval of the Managing Director, and the Chairman must obtain the approval of the Board.