



ABN 62 133 221 084

**BrazIron Limited**

**Annual Report**

for the year ended 31 December 2014

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## Corporate Information

**ABN 62 133 221 084**

### **DIRECTORS**

Youzhi Wei (Executive Chairman): Effective from 02 February 2015

Robert Brierley (Non Executive Director): Effective from 02 February 2015

Walter Guidice (Non Executive Director)

Neil O'Loughlin (Non Executive Director)

### **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

Samuel James Morton

### **REGISTERED OFFICE**

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Hamilton HM11, BERMUDA

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### **LEGAL COUNSEL**

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Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000 AUSTRALIA

### **BANKERS**

National Australia Bank Limited  
1232 Hay Street  
WEST PERTH WA 6005 AUSTRALIA

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
PERTH WA 6000 AUSTRALIA  
Telephone: 1300 550 839 (Australia) or + 61 3 9415 4000 (Outside Australia)

### **AUDITORS**

Stantons International  
Level 2, 1 Walker Avenue  
WEST PERTH WA 6005 AUSTRALIA

### **INTERNET ADDRESS**

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### **EMAIL ADDRESS**

[braziron@braziron.com](mailto:braziron@braziron.com)

### **STOCK EXCHANGE LISTING**

BrazIron Limited shares are listed on Australian Securities Exchange (ASX) under the code 'BZL'.



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## Chairman's Letter

Dear Shareholders,

I am pleased to present the 2014 Annual Report to our shareholders and wish to advise that 2014 has been an exciting period for BrazIron (or the Group) at both a corporate and operations level.

At an operations level, the Group received approval from the Brazilian Department of Mines (DNPM) of Urubu's Final Exploration Report. This entitles the Group to proceed with an application for a mining permit for the Urubu Project – our flagship iron ore project in Brazil. This is undoubtedly an encouraging result. The executive team is already well advanced in preparing the mining permit application, taking advantage of many existing internal studies to ensure the application is lodged in a timely manner and at minimum cost. BrazIron worked diligently at ensuring the approval of Urubu's Final Report and will continue to work to ensure that all statutory requirements are met in having the mining permit approved in the not too distant future.

On the corporate front, in the last quarter of the year, the Board of Directors announced that the Group had signed a binding share exchange agreement with Global Dynamic Group Limited (Global) for the partial acquisition of Global's substantial Silicon Metal Smelting Operations and mines in China, in exchange for equity in BrazIron. This was subsequently and overwhelmingly approved by shareholders at the general meeting held 29 December 2014.

Investing in Global has not only reinvented our future but also created an opportunity for BrazIron to diversify its portfolio into an existing producing business with a value chain ranging from silica mining to smelting and sales. Bringing the assets of Global and BrazIron together creates a synergy allowing both parties access to opportunities in markets they currently do not inhabit. The Board of Directors is very excited about the new and organic opportunities this strategic partnership offers to BrazIron.

Investing in Global was the single most significant decision BrazIron has made since its IPO in November 2010. I would like to take this opportunity to thank you as a shareholder of BrazIron for your continued support over the past year and I look forward to a successful year ahead.

Yours sincerely

Dr Youzhi Wei  
Chairman  
BrazIron Limited



## Review of Operations for 2014

BrazIron (the Group) retains two primary project groups, held under its wholly owned Brazilian subsidiary, BrazIron Participações Limitada. The 100% owned Xingu Project in Para State, held directly by Octa Ferro SA and two projects in Bahia State (Xique Xique and Macaubas) owned 100% and held under BR Ferro SA.

Figure 1: BrazIron Projects, Brazil

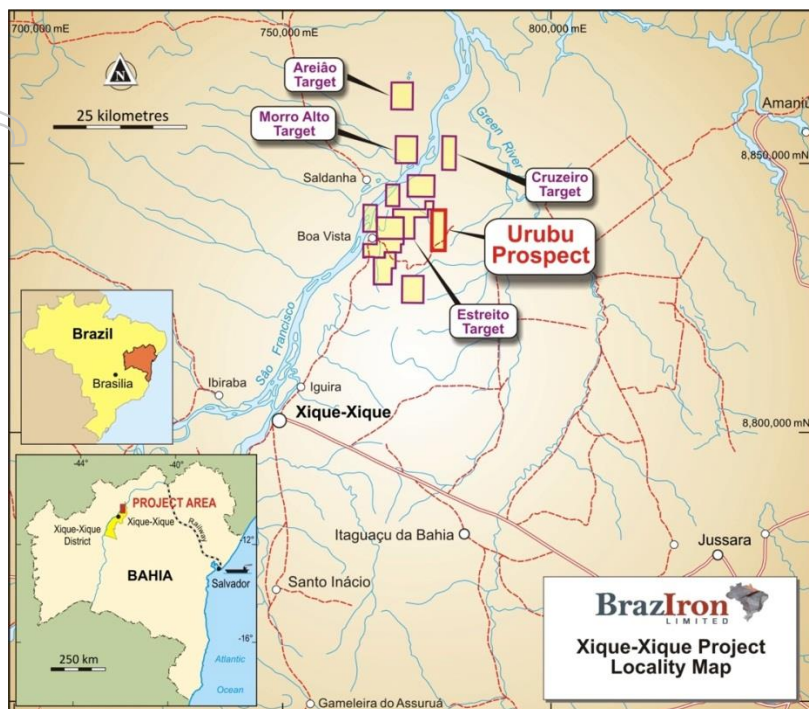


During calendar year 2014, no field work was carried out on either the Xingu or Macaubas Projects.

### XIQUE XIQUE PROJECT – 100% BRAZIRON

During 2014 the DNPM approved the Final Exploration Report that was initially submitted a number of years ago. Over the course of 2014, the work in Brazil concentrated on preparing the mining permit application. This is divided into two main components: the Environmental Permit and the PAE. The PAE (*Plano De Aproveitamento Economico*) refers to the Plan for Economic Utilization. A well-designed PAE, containing all the information necessary for correct analysis and evaluation by the DNPM, helps to ensure the permit is approved. BrazIron has significant pre-existing documentation which has assisted in this process. Thus, the procedural action will occur efficiently, reducing the time between the mining concession requirements and its lodgment. The mining permit application will be lodged by the Group in the first half of 2015.

Figure 2: Xique Xique Project



At the Urubu Prospect (Figure 3), two parallel itabirite ridges extend over an aggregate distance of 4,300 metres. A NE-SW orientated fault displaces and essentially splits the itabirite into two bodies; the larger northern Urubu Ridge section that extends over 3,200 metres of strike, and the southern section, referred to as Morro Fundo, covering some 1,100 metres of strike.

#### **DRILLING**

No drilling occurred during 2014.

#### **RESOURCE**

As previously announced on 20 August 2013, drilling was completed on the Urubu tenement and a JORC Reportable Inferred Mineral Resource of 447.4Mt @ 25.3% Fe was estimated. A lower cut-off grade of 15% Fe was applied to the resource estimation. No top cut was applied. This lower cut is a geological feature identified from assay results and does not imply an economic boundary.

#### **METALLURGY**

Preliminary metallurgical studies outlined the positive metallurgical characteristics of the Urubu ore in terms of its low levels of contaminants and amenability for beneficiation into a clean high grade sinter feed grading in excess of 62% Fe.

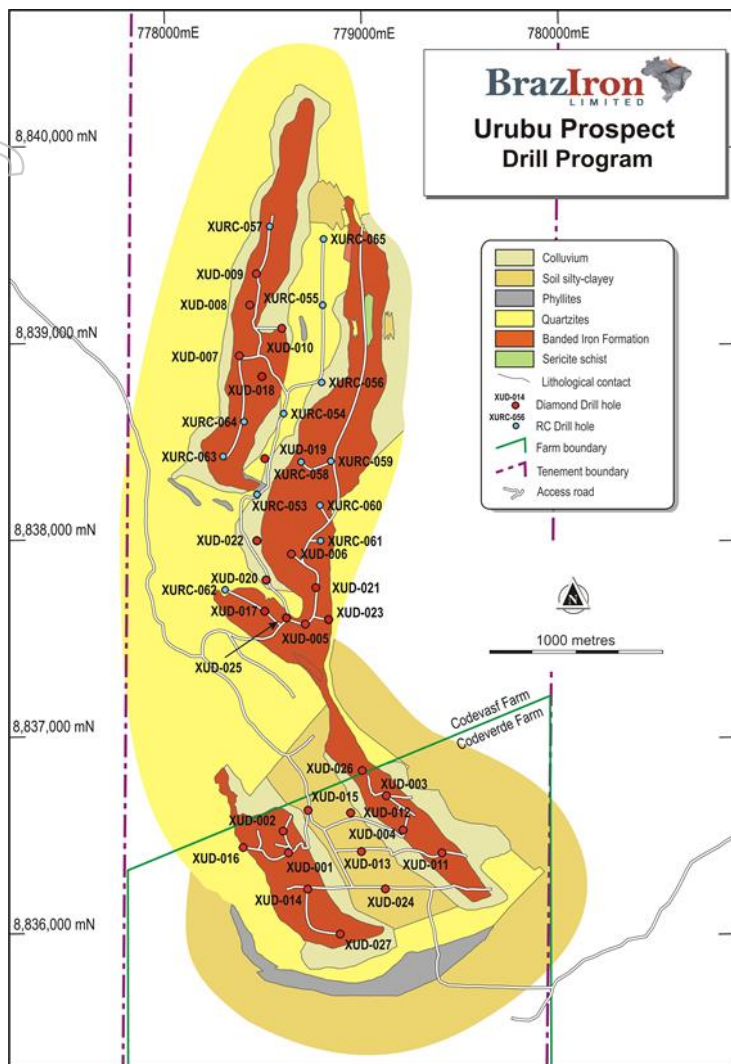
Several processing options were successfully identified in these preliminary studies. Further work will focus on refining processing options, taking into account the attractive operating and cost environment in the region, which offers the potential for low operating costs.

Brazil is a hydro-power dominated economy, with a major hydro power scheme at the Sobrahindo Dam on the Sao Francisco River, located 200km north of the Urubu Prospect. Plentiful power is available near the site at costs less than those being incurred on magnetite projects in Australia, thus potentially enhancing project economics.

The Urubu Prospect is adjacent to the Sao Francisco River, a major regional waterway. A large scale agricultural project is planned to the east of the ore body for which a 60,000 litres per second (2,000 Gl per annum), irrigation canal has been constructed, running immediately adjacent to the ore body, providing the opportunity for ample quantities of fresh water to be available directly at the site.



Figure 3: Urubu Geology



**TRANSPORT**

A transport study was commissioned by the Group and undertaken by independent engineers in Brazil. This study was completed in 2013 and presented a number of potential transport solutions with each dependent on the type of final product at Urubu. Options include barging on the San Francisco River or trucking to a number of different rail lines located to the North and South. This study is an important part of the 2014 PAE requirements.

**MAPPING**

The Xique Xique Project comprises 12 separate leases, with all drilling to date focused on only one (Urubu). In 2013, during a temporary suspension of drilling, the Group field crew carried out extensive mapping on other leases in the Xique Xique Project area, with attention specifically focused on the Areiao and Morro Alto Prospects, north of the Sao Francisco River. Mapping and sampling on these two leases, confirmed the substantial presence of magnetite ore, which may be the northern extension of the Urubu orebody. No new areas were mapped during 2014.

**REHABILITATION**

In 2013 a rehabilitation program was undertaken at Urubu to replace vegetation that was affected primarily during the drilling phase of exploration work at the site. The program included the successful planting of over 1,000 semi mature trees and this is also an important fact on the elaboration of the 2014 PAE.

## Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of BrazIron Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014.

### DIRECTORS

The names and details of the Group's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**Dr Youzhi Wei**, B.Eng (Mining), M. Sc, PhD (Previously Non- Executive Director. Executive Chairman - Effective from 2 February 2015).

Dr Youzhi Wei is a Mining Engineer with over 20 years of experience in mining, geotechnical engineering and mining technology development. Dr Wei has extensive experience in the evaluation of developing and operating mining projects, especially in China.

Dr Wei is the founder of China Mining Business Solutions Limited, which provides corporate advice and business strategies to mining groups, financial institutions and private investors on China-related mining projects. He is currently a resident of Hong Kong where his consultancy services business is based. Dr Wei has previously held senior mining related positions with SRK Consulting Group in Perth and China, CSIRO Exploration and Mining, and the Advanced Technical Development group of CRA, a division of Rio Tinto.

Dr Wei is a Fellow of the Australasian Institute of Mining and Metallurgy.

Current Directorships of ASX listed Companies: Nil.

Past Directorships of ASX listed Companies (last 3 years): Nil.

**Robert Brierley**, B.Eng (Mining), Grad. Diploma Applied Finance & Investment, GAICD (Previously Non-Executive Chairman. Non-Executive Director - Effective from 2 February 2015).

Mr Brierley is a mining engineer educated at the Western Australian School of Mines in Kalgoorlie, Western Australia. He has experience across many commodity groups and has been involved in the design, operation and management of several major mining projects in Australia including the Yandi, Brockman and Koolan Island iron ore operations, Huntly bauxite operations and Kalgoorlie Superpit gold mine.

Mr Brierley also has substantial experience in the stock broking industry as a research analyst, specializing in the resources sector, and currently is the Head of Research for an Australian national stock broking and financial services company.

Mr Brierley has particular experience in finance, mining project management and valuation techniques and principles. He is a Graduate of the Australian Institute of Company Directors.

Current Directorships of ASX listed Companies: Nil

Past Directorships of ASX listed Companies (last 3 years): Brockman Resources Limited, Alchemy Resources Limited.

**Walter Guidice**, (Non Executive Director)

Mr Walter Guidice is a principal shareholder and CEO/Chairman of Majestic Diamonds and Metals Inc, a U.S. mineral exploration company he co-founded in April 2004. Mr Guidice has over 20 years of experience in banking, corporate finance, venture capital, asset management, mergers and executive corporate management.

Over his career he co-founded and grew a mortgage company which became the largest, independently owned mortgage company in Washington State, worked for and represented several large mortgage companies and banks in Washington State in positions including Vice-President, Director of Sales and Chairman, founded a boutique investment bank, Guidice & Associates, Inc., and founded Northstar



Capital, a private investment and asset management firm.

Current Directorships of ASX listed Companies: Nil.

Past Directorships of ASX listed Companies (last 3 years): Nil.

**Neil O'Loughlin, B. Sc (Geology) (Non Executive Director)**

Neil O'Loughlin is a geologist with over 25 years experience in mineral exploration and mine development with exposure to a range of commodities worldwide.

Since 1996 Mr O'Loughlin has been involved in several corporate roles. Mr O'Loughlin was co-founder and Technical Director of Basin Minerals Ltd from 1996 until 2002 during which time he led the exploration and evaluation team that discovered the Douglas Titanium-Zircon project in Victoria, Australia. He was the technical director of the ASX and TSX listed Crescent Gold Limited between 2002 and 2006 and has held several other directorships and management roles in listed and unlisted public companies.

Current Directorships of ASX listed Companies: Nil.

Past Directorships of ASX listed Companies (last 3 years): Nil

## COMPANY SECRETARY

**Samuel James (Jamie) Morton, CPA.**

Mr Morton is a Certified Practicing Accountant (CPA) with experience in the mining, mining services and industrial sectors, holding the position of Financial Controller for TSX- ASX dual listed Congolese copper producer Anvil Mining prior to joining BrazIron.

## Interests in the shares and options of the Group and related bodies corporate

As at 26 March 2015, the interests of the directors in the shares and options of BrazIron Limited were:

2014	Ordinary Shares	Options over Ordinary Shares
Robert Brierley	4,558,872	-
Walter Guidice	33,476,804	-
Neil O'Loughlin	10,673,015	-
Youzhi Wei	53,698,754	20,000,000

## PRINCIPAL ACTIVITIES

SHARE EXCHANGE AGREEMENT WITH GLOBAL DYNAMIC GROUP LIMITED FINALISED

The Board of Directors of BrazIron announced 18 November 2014 that BrazIron had signed a binding irrevocable share exchange agreement (the Agreement) with Global Dynamic Group Limited (Global) for the partial acquisition of their Silicon Metal Smelting Operations and mines in China, in exchange for equity in BrazIron.

Global Dynamic Group is a 100% privately owned company which owns and operates two substantial silica smelting complexes in Hubei and Gansu provinces in China through its subsidiary companies, Hubei Sanxin Silicon Co, Ltd and Gansu Sanxin Silicon Co, Ltd, respectively. Together, the smelting complexes occupy 323 Hectares of land. Global also operates and holds mining licenses over four silica mines, with one mine located in Hubei Province and three mines in Gansu Province. Global's principal product is chemical grade silicon metal. The unaudited consolidated pro forma balance sheet of the Global Group as of 30 June 2014 included total assets of RMB 4.65 billion and total liabilities of RMB 2.11 billion. Working capital was listed at RMB 342.5 million.

Global has spent over US\$300M in recent years constructing its plants and has recently commissioned its 12<sup>th</sup> operating 33MVA

furnace with a further 8 under construction, which will result in Global being the largest producer of silicon metal by capacity in China. Global employs over 700 people and sells to international customers including Dow Corning, Shin-Etsu Chemical Co. and WackerChemie AG, as well as supplying the Chinese domestic markets

Upon approval by the shareholders of BrazIron at the General Meeting on the 29 December 2014 and as part of the Agreement BrazIron issued securities equating to 55% of the enlarged group in exchange for a 20% shareholding in Global. Further securities in BrazIron are proposed to be issued to Global, equating to 20% of the enlarged group, as and when performance milestones are met by the silicon production operations, which potentially includes significant dividends being paid to BrazIron totaling between \$8 million and \$42 million. These performance milestones relating to the dividend distributions being paid to BrazIron Shareholders and are yet to be approved by the ASX.

#### APPROVAL OF URUBU FINAL REPORT AND PREPARATION TO LODGE MINING PERMIT APPLICATION

The Final Report relating to the Urubu Iron Ore Deposit located in Xique Xique, Bahia State, Brazil, submitted in 2009, was approved by the Brazilian Department of Mines (DNPM). The approval was published in Brazil's Official Federal Gazette on 18 July 2014.

This is a positive milestone for the flagship project of the Group, as this completes the first step in a staged application process for a mining license. The approval now entitles BrazIron to submit application for a full mining license within a 12 month timeframe – a standard process required in Brazil. The preparation of the mining application is well advanced. Two key components, Feasibility and Environmental, have been clearly identified to be focused on as priority. With a number of existing internal documents able to be reutilized for significant parts of the mining license application, and with no further drilling required, the preparation of the license application is expected to be prepared in a timely and cost efficient manner.

During the process of preparing the mining application, starting with PAE (Plan for Economic Utilization), lodged by the end of 2014 and following its progress through the DNPM, BrazIron will continue to protect its cash position to the best of its ability, utilizing the resources within the existing executive team to best ensure a positive outcome.

#### DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

#### FINANCIAL REVIEW

The Group began the financial year with a cash reserve of \$5,350,405. Funds were, used in a way consistent with BrazIron's business objectives, which include actively advancing the Group's projects located in Brazil.

The Group has recorded an operating loss after income tax for the year ended 31 December 2014 of \$1,653,813 (2013: \$3,046,969). At 31 December 2014 surplus funds available to the Group totaled \$4,300,631.

Summarised operating results for the year are as follows:

Geographic segments	2014	
	Revenues AUD	Results AUD
Australia	152,449	(1,176,276)
United States	-	(1,594)
Brazil	-	(475,943)
Consolidated entity revenues and (loss) from ordinary activities before income tax expense	152,449	(1,653,813)
Shareholders Returns	2014 AUD	2013 AUD
Basic loss per share (cents)	(0.46)	(0.88)



## Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee or Audit & Risk Committee. All matters of risk and risk mitigation are monitored by the entire board of directors. Aside from financial reporting, the Group's main areas of risk include exploration, new project acquisitions, security of tenure, environment, government policy changes and political risk, occupational health and safety, and continuous disclosure obligations.

The Board has a number of mechanisms in place to ensure that Management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- The Board approves all strategies, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board-approved operating plans and budgets and Board monitoring of progress against these budgets.
- Review of regular operating reports from Management, which include safety, health and environmental aspects.

The Group's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Group's current and future operations. Procedures have been put into place to ensure the Group Secretary/CFO state to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Group's risk management and internal compliance and control system is operating efficiently and effectively. This representation is made by the Group Secretary/Financial Controller prior to the Directors' approval of the release of the annual and half yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Subsequent to the approval by shareholders at the General Meeting, 29 December 2014, all securities and options were issued on 2 January 2015 in accordance with the parameters stipulated in the Notice of Meeting.

In addition to this it is noted that Dr Youzhi Wei has assumed the position of Executive Chairman as of 2 February 2015 and Mr Robert Brierley has moved from the position of Non executive Chairman to Non-Executive Director.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and similar level of operations and hence there are no likely developments in the Group operations for the next 12 months.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation with respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, as far as it is aware is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

## REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### Principles used to determine the nature and amount of remuneration

#### *Remuneration Policy*

The remuneration policy of BrazIron Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of BrazIron Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

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

- All executives receive a base salary (which is based on factors such as length of service and experience), which may include superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- Executives are also eligible to participate in the employee share and option arrangements.
- Executives who are residents of Australia receive a superannuation guarantee contribution required by the government, which is currently 9.5%. The executives do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- The Board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently US\$500,000). Fees for non executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group.

#### *Performance based remuneration*

Some options issued to the executive team have related operational performance measures as part of the vesting terms and conditions. These are in accordance with the specific job descriptions and roles.

#### *Group performance, shareholder wealth and directors' and executives' remuneration*

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive's performance. Currently, this is facilitated through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

#### **Details of remuneration**

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of BrazIron Limited are set out in the following table.

The key management personnel of BrazIron Limited and the Group include the directors and Company secretary as per pages 8 and 9 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:



Samuel James Morton

Chief Financial Officer and Company Secretary (appointed 6 December 2010 to Present)

Given the size and nature of operations of BrazIron Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

**Key management personnel and other executives of BrazIron Limited and the Group**

Key management personnel and other executives of BrazIron Limited and the Group	Short-Term		Post Employment	Long-term		Share-based Payments		Total	Remuneration consisting of Options <sup>(1)</sup>
	Salary & Fees <sup>(2)</sup>	Non Monetary	Super-annuation	Long Service Leave	Termination benefits	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$		
<b>Directors</b>									
Robert Brierley									
2014	58,000	1,474	-	-	-	-	-	59,474	
2013	80,000	1,474	-	-	-	-	-	81,474	
Walt Guidice									
2014	48,000	1,474	-	-	-	-	-	49,474	
2013	67,000	1,474	-	-	-	-	-	68,474	
Neil O'Loughlin									
2014	48,000	1,474	-	-	-	-	-	49,474	
2013	52,000	1,474	-	-	-	-	-	53,474	
Youzhi Wei									
2014 (3)	68,000	1,474	-	-	-	400,000	140,000	609,474	23.00%
2013	67,000	1,474	-	-	-	-	-	68,474	
Pedro Jacobi									
2014	-	-	-	-	-	-	-	-	
2013	26,000	1,474	-	-	-	-	-	27,474	
<b>Other key management personnel</b>									
Samuel James Morton									
2014	182,418	27,730	16,416	-	-	-	-	226,564	
2013	206,592	13,751	18,938	-	-	-	-	239,281	
Bradley George									
2014	-	-	-	-	-	-	-	-	
2013	280,614	1,912	23,982	-	-	-	-	306,508	
<b>Total key management personnel compensation</b>									
2014	404,418	33,626	16,416	-	-	400,000	140,000	994,460	
2013	779,206	23,033	42,920	-	-	-	-	845,159	

(1) The percentage of the value of remuneration consisting of options, based on the value of options expensed during the year.

(2) Includes cash salary payments and annual leave entitlements.

(3) Remuneration includes non monetary component comprising of share based payment and options as approved at the General Meeting 29 December 2014

DIRECTORS' REPORT...continued

### Service agreements

The details of service agreements of the key management personnel and directors as applicable of BrazIron Limited and the Group are as follows:

#### Samuel James Morton, Chief Financial Officer and Group Secretary:

- Term of agreement – unlimited commencing 6 December 2010.
- Base annual salary of \$205,000 plus statutory superannuation.
- Either party may terminate the agreement with three month's written notice.

### Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of BrazIron Limited to increase goal congruence between executives, directors and shareholders. The following options were granted in 2012 and expired in 2014.

2013	Grant Date	Granted Number		Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	Percentage vested during the Year
		(Millions)							
<b>Key Management Personnel</b>									
Samuel James Morton	12/04/2012	1	31/12/2013	31/12/2014	20	2	-	-	100
Samuel James Morton	12/04/2012	1	1.)	31/12/2014	20	2	-	-	-
Samuel James Morton	12/04/2012	2	2.)	31/12/2014	20	2	-	-	-

- 1.) Vesting on issue of mining lease for one project in Brazil
- 2.) Vesting on acquisition of project >US\$5m .

The following options were granted in 2014 but issued on 2 January 2015.

2014	Grant Date	Granted Number		Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	Percentage vested during the Year
		(Millions)							
<b>Key Management Personnel</b>									
Youzhi Wei	29/12/2014	20	29/12/2014	31/12/2017	2	0.7	-	-	100

### (b) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found on page 46 and 47.

#### (ii) Option holdings

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



2013	Balance at start of the year	Granted as compensation	Exercised	Cancelled/ Expired	Balance at end of the year	Vested and exercisable	Unvested
<b>Key management personnel of the Group</b>							
Bradley George	6,000,000	-	-	(6,000,000)	-	-	-
Samuel James Morton	4,000,000	-	-	-	4,000,000	1,000,000	3,000,000

2014	Balance at start of the year	Granted as compensation	Exercised	Cancelled/ Expired	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of BrazIron Limited</b>							
Youzhi Wei	-	20,000,000	-	-	20,000,000	20,000,000	-
<b>Other key management personnel of the Group</b>							
Samuel James Morton	4,000,000	-	-	(4,000,000)	-	-	-

(iii) Share holdings

The numbers of shares in the Group held during the financial year by each director of BrazIron Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2014	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of BrazIron Limited - Ordinary shares</b>				
Robert Brierley	4,221,926	-	336,946	4,558,872
Walter Guidice	43,508,804	-	(10,032,000)*	33,476,804
Neil O'Loughlin	9,874,464	-	798,551	10,673,015
Youzhi Wei	33,398,754	-	78,050	33,476,804
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares NIL</b>				

\*Majestic Diamonds & Metals Inc is the legal beneficial holder of 10,032,000 shares. Previously, Mr Guidice was taken to have a relevant interest in the shares held by it by virtue of section 608(3) of the Corporations Act 2001 by having voting power in Majestic Diamonds & Metals Inc of over 20%. As this is no longer the case these have been removed from Mr Guidices calculation.

2013	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of BrazIron Limited - Ordinary shares</b>				
Robert Brierley	4,221,926	-	-	4,221,926
Walter Guidice *	43,508,804	-	-	43,508,804
Neil O'Loughlin	10,064,464	-	(190,000)	9,874,464
Youzhi Wei	33,398,754	-	-	33,398,754
<b>Other key management personnel of the Group</b>				
<b>Ordinary shares NIL</b>				

\*Majestic Diamonds & Metals Inc is the legal beneficial holder of 10,032,000 shares. Mr Guidice is taken to have a relevant interest in the shares held by it by virtue of section 608(3) of the Corporations Act 2001 by having voting power in Majestic Diamonds & Metals Inc of over 20%

## DIRECTORS' MEETINGS

During the year the Group held sixteen meetings of directors. The attendance of directors at meetings of the Board were:

	Directors Meetings	
	A	B
Robert Brierley	16	16
Walter Guidice	14	16
Neil O'Loughlin	11	16
Youzhi Wei	16	16

### Notes

A - Number of meetings attended.

B - Number of meetings of held during the time the director held office or was a member of the Committee during the year.

## SHARE OPTIONS

	Number of options	
Balance at the beginning of the year	6,500,000	
Less expired during the year	(6,500,000)	
Issue of share options during the year	0	
Total number of options outstanding as at 31 December 2014	0	
Movements of share options after the reporting date:	20,000,000	
Total number of options outstanding as at the date of this report	20,000,000	
The balance is comprised of the following:		
Expiry date	Exercise price (cents)	Number of options
31/12/17	2	20,000,000
Total number of options outstanding at the date of this report		20,000,000

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

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

No shares were issued during the year as a result of options being exercised

## INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Group has paid premiums insuring all the directors of BrazIron Limited against costs incurred in defending proceedings for conduct involving:

- (a) a willful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$7,370.

## NON-AUDIT SERVICES

No non audit services have been provided by the Group's auditors, Stantons International during the year.

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Signed in accordance with a resolution of the directors.



Youzhi Wei  
Chairman  
Perth, 27 March 2015



27 March 2015

The Directors  
BrazIron Limited  
1D, Robinson Ave  
Perth, WA 6000

Dear Sirs

**RE: BRAZIRON LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BrazIron Limited.

As Audit Director for the audit of the financial statements of BrazIron Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

**Samir Tirodkar**  
**Director**

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## Corporate Governance Statement

### ***The Board of Directors***

The Group's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Group's activities increase in size, nature and scope the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Group's constitution will be determined within the limitations imposed by the constitution.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Group's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

Due to the relatively small nature of the Group, The Board of Directors as a whole operate together to manage all aspects of Audit and Risk; Remuneration, Nomination and Funding; and, Technical reporting. The Board operates according to the charters available on the Group website.

### ***Role of the Board***

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role, the Board is responsible for oversight of management and the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### ***Appointments to Other Boards***

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

### ***Independent Professional Advice***

The Board has determined that individual directors have the right in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman. This will not be withheld unreasonably.

### ***Continuous Review of Corporate Governance***

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Group. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Group.

### ***ASX Principles of Good Corporate Governance***

The Board has reviewed its current practices in light of the ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Group's size and the resources it has available.

CORPORATE GOVERNANCE STATEMENT...CONTINUED

As the Group's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration. The Board has adopted the recommendations and the following table sets out the Group's present position in relation to each of the revised Principles.

	ASX Principle	Status	Reference/comment
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	Performance evaluation of senior executives is the responsibility of the Remuneration, Nomination and Funding Committee. Details of the Remuneration, Nomination and Funding Committee are contained in the Corporate Governance Statement on the Company's website and as noted in the financial report.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A	
<b>Principle 2: Structure the Board to add value</b>			
2.1	A majority of the Board should be independent directors	NA	A majority of the directors are not currently independent. The Group intends to seek out and appoint independent directors in the future, however, due to the current limited size of the Group's operations it may not be appropriate to appoint a majority of independent directors for some time.
2.2	The chair should be an independent director	A	The chairperson Robert Brierley is an independent director
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The key executive position is being filled by the CFO
2.4	The Board should establish a nomination committee	N/A	Due to the Group's early stage of development and the small size of the Board, the Group does not presently have a separate nomination committee. The full Board conducts the function of such a committee.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	A	Performance evaluation of the Board, Directors and Key Executives is the joint responsibility of the Board of Directors
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A	The skills and experience of Directors are set out in the Company's Annual Report and on the Company's website.
<b>Principle 3: Promote ethical and responsible decision-making</b>			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the Group's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	A	The Group has formulated a Code of Conduct as part of its Corporate Governance Plan, which can be viewed on the Company's website.



3.2	Companies should establish a policy concerning trading in Group securities by directors, senior executives and employees, and disclose the policy	A	The Group has formulated a share trading policy, which can be viewed on the Company's website.
3.3	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.	A	Given the size of the Group, there are no women in senior executive positions or on the Board however, the Board considers this is appropriate at this stage of the Group's development.
3.4	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	A	The Group has established a Diversity Policy, however, the policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity. Given the Group's size and stage of development as an exploration Group, the Board does not think it is yet appropriate to include measurable objectives in relation to gender.
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	The Board should establish an audit committee	NA	Due to the Group's early stage of development and the small size of the Board, the Group does not presently have a separate Audit Committee. The full Board conducts the function of such a committee, in accordance with the Charter
4.2	The audit committee should be structured so that it:	NA	
	• consists only of non-executive directors	NA	
	• consists of a majority of independent directors	NA	
	• is chaired by an independent chair, who is not chair of the Board	NA	
	• has at least three members	NA	
4.3	The audit committee should have a formal charter	A	The Group has formulated an Audit Committee Charter, which can be viewed on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
<b>Principle 5: Make timely and balanced disclosure</b>			
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	A	The Group has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly updates on the status of the Group's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting
<b>Principle 6: Respect the rights of shareholders</b>			
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	A	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Group. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the	A	The Group has formulated a Communication Policy as part of the

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	information indicated in the Guide to reporting on Principle 6		Corporate Governance Plan which can be viewed on the Company's website.
	<b>Principle 7: Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	<b>A</b>	While the Group does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: <ul style="list-style-type: none"> <li>• performance and funding of exploration activities</li> <li>• budget control and asset protection</li> <li>• status of mineral tenements</li> <li>• land access and native title considerations</li> <li>• compliance with government laws and regulations</li> <li>• safety and the environment</li> <li>• continuous disclosure obligations</li> <li>• sovereign risk</li> <li>• share market conditions</li> <li>• economic risk</li> </ul>
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group'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 Group's management of its material business risks	<b>NA</b>	While the Group does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.
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	<b>A</b>	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	<b>NA</b>	
	<b>Principle 8: Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee	<b>A</b>	The Group has established a Remuneration, Nomination and Funding Committee which has a formal charter that can be viewed on the Group's website.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	<b>A</b>	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	<b>A</b>	Refer to the Remuneration Report in the Group's Annual Report.
	<i>A = Adopted</i> <i>NA = Not adopted</i>		

## Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 AUD	2013 AUD
<b>REVENUE FROM CONTINUING OPERATIONS</b>			
Other income	4	152,449	246,056
<b>EXPENDITURE</b>			
Depreciation expense		13,069	26,508
Salaries and employee benefits expense		543,908	1,052,693
Exploration expenditure		137,108	709,009
Corporate expenses		309,960	260,541
Occupancy expenses		103,589	150,620
Impairment expense		-	742,593
Insurance expenses		26,974	34,451
Share-based payment expense		540,000	-
Travel expense		67,426	117,625
Withholding taxes		47	14,629
Other expenses		64,181	184,356
<b>(LOSS) BEFORE INCOME TAX</b>		<b>(1,653,813)</b>	<b>(3,046,969)</b>
<b>INCOME TAX BENEFIT / (EXPENSE)</b>	6	-	-
<b>(LOSS) AFTER INCOME TAX</b>		<b>(1,653,813)</b>	<b>(3,046,969)</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<b>Items that will be reclassified subsequently to the profit or loss</b>			
Exchange differences on translation of foreign operations		(130,443)	(29,619)
Other comprehensive (loss)/income for the year, net of tax		<b>(130,443)</b>	<b>(29,619)</b>
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR ATTRIBUTABLE TO BRAZIRON LIMITED</b>		<b>(1,784,256)</b>	<b>(3,076,588)</b>
<b>Loss attributable to</b>			
Members of the Parent Entity		(1,653,813)	(3,046,969)
Non-controlling interest		-	-
<b>Total comprehensive loss attributable to</b>		<b>(1,653,813)</b>	<b>(3,046,969)</b>
Members of the Parent Entity		(1,784,256)	(3,076,588)
Non-controlling interest		-	-
		<b>(1,784,256)</b>	<b>(3,076,588)</b>
Basic and diluted (loss) per share for loss attributable to the ordinary equity holders of the Group (cents per share)		<b>(0.46)</b>	<b>(0.88)</b>

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.



## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 AUD	2013 AUD
<b>Current Assets</b>			
Cash and cash equivalents	7	4,300,631	5,350,405
GST receivables		58,461	45,935
Accrued income		25,920	33,222
<b>Total Current Assets</b>		<b>4,385,012</b>	<b>5,429,562</b>
<b>Non - Current Assets</b>			
Capitalised exploration and acquisition costs	9	2,524,306	2,655,757
Financial Assets	10	9,185,892	-
Plant & equipment	8	29,889	44,737
<b>Total Non-Current Assets</b>		<b>11,740,087</b>	<b>2,700,494</b>
<b>Total Assets</b>		<b>16,125,099</b>	<b>8,130,056</b>
<b>Current Liabilities</b>			
Trade creditors and other payables	11	443,978	382,469
Provisions	11	11,491	19,593
<b>Total Current Liabilities</b>		<b>455,469</b>	<b>402,062</b>
<b>Non-Current Liabilities</b>			
		-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>455,469</b>	<b>402,062</b>
<b>Net Assets</b>		<b>15,669,630</b>	<b>7,727,994</b>
<b>Equity</b>			
Issued Capital	12	53,107,596	43,521,704
Reserves	13(a)	(646,513)	(656,070)
Accumulated Losses	13(b)	(36,791,453)	(35,137,640)
<b>Total Equity</b>		<b>15,669,630</b>	<b>7,727,994</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2014

	Notes	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total
Consolidated AUD		\$	\$	\$	\$	\$	\$
<b>BALANCE AT 31 DECEMBER 2012</b>		42,779,111	402,683	(1,029,134)	(33,235,266)	1,144,595	10,061,989
Loss for the year 2013		-	-	-	(3,046,969)	-	(3,046,969)
<b>OTHER COMPREHENSIVE LOSS</b>							
Exchange differences on translation of foreign operations		-	-	(29,619)	-	-	(29,619)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(29,619)	(3,046,969)	-	(3,076,588)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>							
Shares issued during the year							
Transaction costs		742,593	-	-	1,144,595	(1,144,595)	742,593
<b>BALANCE AT 31 DECEMBER 2013</b>		43,521,704	402,683	(1,058,753)	(35,137,640)	-	7,727,994
Loss for the year 2014		-	-	-	(1,653,813)	-	(1,653,813)
<b>OTHER COMPREHENSIVE LOSS</b>							
Exchange differences on translation of foreign operations		-	-	(130,443)	-	-	(130,443)
<b>TOTAL COMPREHENSIVE LOSS</b>		-	-	(130,443)	(1,653,813)	-	(1,784,256)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>							
Options issued during the year		-	-	-	-	-	-
Shares issued for the partial acquisition of Global Dynamic and shares issued to Youzhi Wei		9,585,892	-	-	-	-	9,585,892
Employees and consultants share options		-	140,000	-	-	-	140,000
<b>BALANCE AT 31 DECEMBER 2014</b>		53,107,596	542,683	(1,189,196)	(36,791,453)	-	15,669,630

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2014	Notes	Consolidated 2014 AUD	Consolidated 2013 AUD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(1,212,913)	(2,600,792)
Interest received		159,751	252,717
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	22	<b>(1,053,162)</b>	<b>(2,348,075)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for prospects		-	-
Payments for plant and equipment		-	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of ordinary shares		-	-
Payment of share issue costs		-	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,053,162)	(2,348,075)
Cash and cash equivalents at the beginning of the financial year		5,350,405	7,698,480
Effects of exchange rate changes on cash and cash equivalents		3,388	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>		<b>4,300,631</b>	<b>5,350,405</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of BrazIron Limited and its subsidiaries. The financial statements are presented in the Australian currency. BrazIron Limited is a Company limited by shares, domiciled in Australia and incorporated in Bermuda. The financial statements were authorised for issue by the directors on 27 March 2015. The directors have the power to amend and reissue the financial statements.

BrazIron is registered in Bermuda and is a non-resident Company operating in Australia. Thus BrazIron does not incur a tax benefit or expense as a result of its Australian operations.

### (a) Basis of preparation

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

#### *Compliance with IFRS*

The consolidated financial statements of the BrazIron Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified where appropriate by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (BrazIron Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

*(ii) Joint ventures*

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

AASB8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position. The Group operates only in the exploration industry, both in Australia and overseas.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is BrazIron Limited's functional and presentation currency. The functional currency of the Group's subsidiaries in Brazil is the Brazilian Real and in the United States is the US Dollar.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

*(iii) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(e) Revenue recognition**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

**(f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(g) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**(h) Business combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(i) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(j) Cash and cash equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

**(k) Trade and other receivables**

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

**(l) Investments and other financial assets**

**Classification**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Financial assets – reclassification**

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

**Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Profit or Loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 1(l).

**Impairment**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Profit and Loss. Impairment losses recognised in the Profit and Loss on equity instruments classified as available-for-sale are not reversed through the Profit or Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

**(m) Plant and equipment**

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the prime cost method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

**(n) Exploration, evaluation and feasibility costs**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

**(p) Employee benefits**

*(i) Wages and salaries, annual leave and long service leave*

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(ii) Share-based payments*

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 25. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

**(q) Issued capital**

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 tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(r) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(s) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(t) New accounting standards and interpretations**

During the current reporting period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2014.

The accounting policies and methods of computation adopted in the preparation of the 2014 annual financial report are consistent with those adopted and disclosed in the Group's 2013 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

**New Accounting Policies Adopted Effective 1 January 2014**

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2014:

- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)
- AASB 2013-3 'Amendments to Australian Accounting Standards for Recoverable Amount Disclosures for Non Financial Assets' (Amendments to AASB 136)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's accounting policies and disclosures. Amendments made to AASB 124; Related Party Disclosures allows the removal of the individual key management personnel disclosure requirements (including paragraphs Aus 29.1 to Aus 29.9.3).

**New Accounting Standards for Application in Future Periods**

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ended 31 December 2014

Reference	Title	Summary	Application date of standard	Impact on Group financial report
AASB 9	Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)	The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.	1 January 2018	Not Expected to have a material impact on the Group.
Other standards not yet applicable: These standards are not expected to have a material impact on the entity in the current or future reporting periods.				
AASB 2014-1	Amendments to Australian Accounting Standards'- Parts A to C		1 July 2014	31 December 2015
AASB 2014-1	Amendments to Australian Accounting Standards'- Part D		1 January 2016	31 December 2016
AASB 2014-3	Amendments to Australian Accounting Standards'-Accounting for Acquisitions of Interests in Joint Operations		1 January 2016	31 December 2016

**(u) Critical accounting judgements, estimates and assumptions**

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 25.

*Exploration, evaluation and feasibility costs*

Exploration expenditure is capitalised for each separate area of interest where rights to tenure are current and:

- (i) such costs are expected to be recovered through successful development and exploitation or by sale; or
- (ii) where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. The carrying values of expenditures carried forward are reviewed for impairment at each reporting date when the facts, events or changes in circumstances indicate that the carrying value may be impaired. Accumulated expenditures are written off to the profit or loss to the extent to which they are considered to be impaired

The key points that are considered in this review include:

- (i) data review and field visits undertaken during the year
- (ii) the estimated market value of assets at the review date
- (iii) independent valuations of underlying assets that may be available
- (iv) strategic direction of the Group's exploration activities.

Information used in the review process is rigorously tested to externally available information as appropriate.

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

### **(a) Market risk**

#### *(i) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar, US dollar and Brazilian Reais,

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

#### *Sensitivity analysis*

Based on the financial instruments held at 31 December 2014, had the Australian dollar weakened/strengthened by 10% against the USD dollar with all other variables held constant, the Group's post tax loss for the year would have been \$131 lower/higher and there

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

would have been no movements to the Group's other equity for both years presented.

Based on the financial instruments held at 31 December 2014, had the Australian dollar weakened/strengthened by 10% against the Brazilian Real with all other variables held constant, there would have been impact on the Group's post-tax losses of \$47,594 lower/higher and there would have been no movements to the Group's other equity for both years presented

*(ii) Price risk*

Given the current level of operations the Group is not exposed to price risk.

*(iii) Interest rate risk*

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to 90 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$4.3m is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 3.25%

*Sensitivity analysis*

At 31 December 2014, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$43K lower/higher as a result of lower/higher interest income from cash and cash equivalents.

**(b) Credit risk**

The Group does not have any concentrations of credit risk.

As the Group does not presently have any trade debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

**(c) Liquidity risk**

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

**3. SEGMENT INFORMATION**

**(a) Description of segments**

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit and loss and other comprehensive income and statement of financial position. The Group operates only in the exploration industry, both in Australia and overseas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

**(b) Segment information provided to the Board of Directors**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2014:

2014	Australia	USA	Brazil	Consolidated
	AUD	AUD	AUD	AUD
<b>Segment revenue</b>				
Other revenue	152,449	-	-	152,449
Total segment revenue	152,449	-	-	152,449
Intersegment elimination				-
<b>Consolidated revenue</b>				<b>152,449</b>
<b>Segment result</b>				
Segment result	(1,176,276)	(1,594)	(475,943)	(1,653,813)
Intersegment elimination				-
Loss before income tax				(1,653,813)
Income tax expense				-
<b>Loss for the year</b>				<b>(1,653,813)</b>
<b>Segment assets and liabilities</b>				
Segment assets	17,422,393	35,917,971	34,668,113	88,008,477
Intersegment elimination				(71,883,378)
<b>Total assets</b>				<b>16,125,099</b>
Segment liabilities	363,434	7,196,830	408,434	7,968,698
Intersegment elimination				(7,513,229)
<b>Total liabilities</b>				<b>455,469</b>

2013	Australia	USA	Brazil	Consolidated
	AUD	AUD	AUD	AUD
<b>Segment revenue</b>				
Other revenue	242,953	-	3,103	246,056
Total segment revenue	242,953	-	3,103	246,056
Intersegment elimination				-
<b>Consolidated revenue</b>				<b>246,056</b>
<b>Segment result</b>				
Segment result	(1,850,970)	(2,670)	(1,193,329)	(3,046,969)
Intersegment elimination				-
Loss before income tax				(3,046,969)
Income tax expense				-
<b>Loss for the year</b>				<b>(3,046,969)</b>
<b>Segment assets and liabilities</b>				
Segment assets	8,817,333	32,647,019	35,968,946	77,433,298
Intersegment elimination				(69,303,242)
<b>Total assets</b>				<b>8,130,056</b>
Segment liabilities	307,992	6,822,007	360,469	7,490,468
Intersegment elimination				(7,088,406)
<b>Total liabilities</b>				<b>402,062</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

	Consolidated	
	2014	2013
	AUD	AUD
<b>4. REVENUE</b>		
<b>From continuing operations</b>		
Interest	152,449	246,056
	<b>152,449</b>	<b>246,056</b>
<b>5. EXPENSES</b>		
<b>Loss before income tax includes the following specific expenses:</b>		
Defined contribution superannuation expense	16,416	42,920
Net foreign exchange losses	-	-
Minimum lease payments relating to operating leases	69,214	147,866
<b>6. INCOME TAX</b>		
<b>(a) Income tax expense/(benefit)</b>		
Current tax	-	-
Deferred tax	-	-
- Adjustments for current tax of prior years	-	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(1,653,813)	(3,046,969)
Prima facie tax benefit at the Australian tax rate of 30% (2013: 30%)	<b>(496,144)</b>	<b>(914,091)</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	-	-
Other	-	-
	<b>(496,144)</b>	<b>(914,091)</b>
Movements in unrecognised temporary differences		
Tax effect of current year tax losses for which no deferred tax asset has been recognised	<b>496,144</b>	<b>914,091</b>
Income tax expense/(benefit)	-	-

BrazIron is registered in Bermuda and is a non-resident operating in Australia and thus BrazIron does not incur a tax benefit or expense as a result of its Australian operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

	Consolidated	
	2014	2013
	AUD	AUD
<b>7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.		
Cash at bank and in hand	233,660	177,225
Short-term deposits	4,066,971	5,173,180
Cash and cash equivalents as shown in the consolidated statement of financial position and the consolidated statement of cash flows	<b>4,300,631</b>	<b>5,350,405</b>

Short-term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**8. NON-CURRENT ASSETS – PLANT AND EQUIPMENT**

**Plant and equipment**

Cost	177,962	132,045
Accumulated depreciation	(148,073)	(87,308)
Net book amount	<b>29,889</b>	<b>44,737</b>

**Plant and equipment**

Opening net book amount	44,737	69,804
Exchange differences	(1,779)	1,441
Additions	-	-
Disposals	-	-
Depreciation expense	(13,069)	(26,508)
Closing net book amount	<b>29,889</b>	<b>44,737</b>

**9. CAPITALISED EXPLORATION AND ACQUISITION COST**

Bahia Tenements	2,524,306	2,655,757
	<b>2,524,306</b>	<b>2,655,757</b>

**10. FINANCIAL ASSETS**

Investment in Global Dynamic – Available for Sale	9,185,892	-
	<b>9,185,892</b>	-

The investment in Global Dynamic was recorded on the transaction approval date of 29 December 2014 with the deemed valuation based on the number of shares issued of 459,294,611 multiplied by the spot trading price of 2 cents. The shares were issued on 2 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

	Consolidated	
	2014	2013
	AUD	AUD
<b>11. CURRENT LIABILITIES</b>		
Trade Creditors and Accruals (including withholding taxes)	443,978	382,469
Provisions	11,491	19,593
	<b>455,469</b>	<b>402,062</b>

<b>12. ISSUED CAPITAL</b>				
<b>(a) Share Capital</b>	Consolidated			
	2014 AUD		2013 AUD	
	Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	355,786,500	43,521,704	355,786,500	43,521,704
Shares to be issued	-	9,585,892	-	-
Total issued capital	<b>355,786,500</b>	<b>53,107,596</b>	<b>355,786,500</b>	<b>43,521,704</b>

<b>(b) Movements in ordinary share capital</b>				
Beginning of the financial year	355,786,500	43,521,704	316,650,000	42,779,111
Transactions during the year:	-	9,585,892	39,136,500	742,593
Less: Transaction costs	-	-	-	-
End of the financial year	<b>355,786,500</b>	<b>53,107,596</b>	<b>355,786,500</b>	<b>43,521,704</b>

Transactions during the year solely relate to the partial acquisition of Global Dynamic in exchange for 459,294,611 securities in BrazIron at a deemed valuation of \$9.18m as approved at the General Meeting held 29 December 2014 and the issue of 20,000,000 shares to Dr Youzhi Wei.

<b>(c) Movements in options on issue</b>	Consolidated Number of options 2014
Beginning of the financial year	6,500,000
Issued during the year:	
– Exercisable at AUD 2 cents each	20,000,000
– Expired during the year	(6,500,000)
– End of the financial year	<b>20,000,000</b>

**(d) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person/proxy, is entitled to one vote, and upon a poll each

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

share is entitled to one vote. Ordinary shares have no par value and the Group doesn't have a limited amount of authorised capital.

**(e) Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 31 December 2014.

	2014 AUD	Consolidated 2013 AUD
Cash and cash equivalents	4,300,631	5,350,405
Trade and other receivables	84,381	79,157
Trade and other payables	(455,469)	(402,062)
Working capital position	<b>3,929,543</b>	<b>5,027,500</b>

13. RESERVES AND ACCUMULATED LOSSES

**(a) Reserves**

Foreign currency translation reserve	(1,189,196)	(1,058,753)
Options reserve	542,683	402,683
	<b>(646,513)</b>	<b>(656,070)</b>

**Movements:**

*Foreign currency translation reserve*

Balance at beginning of year	(1,058,753)	(1,029,134)
Currency translation differences arising during the year	(130,443)	(29,619)
Balance at end of year	<b>(1,189,196)</b>	<b>(1,058,753)</b>

*Options reserve*

Balance at beginning of year	402,683	402,683
Share-based payment expense	140,000	-
Balance at end of year	<b>542,683</b>	<b>402,683</b>

**(b) Accumulated losses**

Balance at beginning of year	(35,137,640)	(33,235,266)
Acquisition of Minority Interest taken to Retained Losses	-	1,144,595
Net loss for the year	(1,653,813)	(3,046,969)
Balance at end of year	<b>(36,791,453)</b>	<b>(35,137,640)</b>

**(c) Nature and purpose of reserves**

(i) *Foreign currency translation reserve*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognized in profit and loss when the net investment is disposed of.

(ii) Options reserve

The share-based payments reserve is used to recognise the fair value of options issued.

14. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated 2014 AUD	2013 AUD
<b>(a) Key management personnel compensation</b>		
Short-term benefits	438,044	802,239
Post employment benefits	16,416	42,920
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	540,000	-
	<b>994,460</b>	<b>845,159</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 13.

16. REMUNERATION OF AUDITORS

	Consolidated 2014 AUD	2013 AUD
<b>(a) Audit Services.</b> During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
Stantons International – audit and review of financial reports	35,174	29,095
Non-related audit firm for the audit or review of financial reports of any entity in the Group	15,796	24,236
Total remuneration for audit services	<b>50,970</b>	<b>53,331</b>

17. CONTINGENCIES

There are no contingent liabilities as at 31 December 2014.

18. COMMITMENTS

(a) Exploration commitments

The Group does not have commitments to meet for minimum expenditure requirements on the mineral exploration assets it has an interest in.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

	Consolidated	
	2014	2013
	AUD	AUD
<b>(b) Lease commitments: Group as lessee</b>		
<i>Operating leases (non-cancellable):</i>		
Minimum lease payments		
within one year	20,000	51,588
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	<b>20,000</b>	<b>51,588</b>

The Group has one non-cancellable office lease, for a premises in Perth expiring within one year. The leases have varying terms, escalation clauses and renewal rights.

**19. RELATED PARTY TRANSACTIONS**

**(a) Parent entity**

The ultimate parent entity within the Group is BrazIron Limited.

**(b) Subsidiaries**

Interests in subsidiaries are set out in note 20.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in note 15.

**(d) Loans to related parties**

As at 31 December 2014 BrazIron Limited has a receivable from Charter International LLC of AUD\$ 7,196,830 and BrazIron Corporate Services of AUD\$316,399. All corresponding entities having liabilities of equal amount and thus eliminate upon consolidation.

**20. SUBSIDIARIES**

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

Name	Country of Incorporation	Class of Shares	Equity Holding <sup>(1)</sup> 2014%
BrazIron Corporate Services Pty Ltd	Australia	Ordinary	100
Charter International LLC	USA	Ordinary	100
BrazIron Participações Ltd	Brazil	Ordinary	100
Octa Ferro S.A	Brazil	Ordinary	99.999
BR Ferro S.A	Brazil	Ordinary	100
BSADS LLC	USA	Ordinary	100
Good Hands	USA	Ordinary	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 31 December 2014, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

	Consolidated	
	2014 AUD	2013 AUD
<b>22. STATEMENT OF CASH FLOWS</b>		
<b>Reconciliation of net loss after income tax to net cash outflow from operating activities</b>		
Net loss for the year	(1,653,813)	(3,046,969)
<b>Non-Cash Items</b>		
Depreciation of plant and equipment	13,069	26,508
Share-based payment expense	540,000	-
Net exchange differences	3,388	314,183
Impairment of assets	-	742,593
Net loss on disposal of plant and equipment	-	-
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	(9,213)	84,041
Increase/(decrease) in trade and other payables	53,407	(468,431)
Increase in employee entitlements provision	-	-
Net cash outflow from operating activities	<b>(1,053,162)</b>	<b>(2,348,075)</b>

23. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Group used in calculating basic and diluted loss per share	(1,653,813)	(3,046,969)
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	Number of shares	Number of shares
<b>(b) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	355,786,500	345,064,171

(c) Information on the classification of options

As the Group has made a loss for the year ended 31 December 2014, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

24. FINANCIAL INSTRUMENTS

**(a) Interest rate risk**

Group policy is to monitor the interest rate yield curve out to 90 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at balance date are as follows:

2014		Fixed interest rate maturing in:					
Financial Instruments	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying value as per the statement of financial position	Weighted average effective interest rate
	December 2014 AUD	December 2014 AUD	December 2014 AUD	December 2014 AUD	December 2014 AUD	December 2014 AUD	December 2014 %
(i) Financial assets							
Cash	233,660	4,066,971	-	-	-	4,300,631	3.40
Trade and other receivables	-	-	-	-	83,018	83,018	
Total financial assets	233,660	4,066,971	-	-	83,018	4,383,649	
(ii) Financial liabilities							
Trade and other payables	-	-	-	-	194,277	194,277	
Borrowings	-	-	-	-	-	-	
Total financial liabilities	-	-	-	-	194,277	194,277	

2013		Fixed interest rate maturing in:					
Financial Instruments	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying value as per the statement of financial position	Weighted average effective interest rate
	December 2013 AUD	December 2013 AUD	December 2013 AUD	December 2013 AUD	December 2013 AUD	December 2013 AUD	December 2013 %
(i) Financial assets							
Cash	121,405	5,229,000	-	-	-	5,350,405	3.57
Trade and other receivables	-	-	-	-	79,157	79,157	
Total financial assets	121,405	5,229,000	-	-	79,157	5,429,562	
(ii) Financial liabilities							
Trade and other payables	-	-	-	-	382,469	382,469	
Borrowings	-	-	-	-	-	-	
Total financial liabilities	-	-	-	-	382,469	382,469	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

**Sensitivity Analysis**

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for the year ended 31 December 2014 and the year ended 31 December 2013.

2014	Carrying Amount	Interest Rate Risk		Interest Rate Risk	
AUD		-1%		1%	
		Net Loss	Equity	Net Loss	Equity
	AUD	AUD	AUD	AUD	AUD
<i>Financial assets</i>					
Cash and cash equivalents	4,300,631	(43,006)	(43,006)	43,006	43,006
Total	4,300,631	(43,006)	(43,006)	43,006	43,006

None of the Group's financial liabilities are interest bearing.

2013	Carrying Amount	Interest Rate Risk		Interest Rate Risk	
AUD		-1%		1%	
		Net Loss	Equity	Net Loss	Equity
	AUD	AUD	AUD	AUD	AUD
<i>Financial assets</i>					
Cash and cash equivalents	5,350,405	(53,504)	(53,504)	53,504	53,504
Total	5,350,405	(53,504)	(53,504)	53,504	53,504

None of the Group's financial liabilities are interest bearing.

Credit risk exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group has no sales and trade accounts at the end of the period.

The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk in 2014: \$4,385,012 (2013: \$5,429,562)

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from exploration commitments in currencies other than the Group's measurement currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Brazilian Real (BRL) and United States Dollar (USD). The majority of current exposure is to Brazilian Real, which generally tracks the AUD\$ in relative value and is converted to AUD\$ for reporting purposes. The exposure to fluctuation on current transactions based in USD is not material. Fluctuation of the AUD relative to BRL is the primary cause of exchange gains and losses, due to the preponderance of assets held in BRL.

The Group has not formalised a foreign currency risk management policy, however it monitors its foreign currency expenditure in light of exchange rate movements, and retains the right to withdraw from the foreign exploration commitments after the minimum expenditure targets have been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

	2014	2013
Foreign currency cash at 31 December		
US Dollars	31,780	55,554
Foreign currency cash at 31 December		
BRL	385	37,777

**Sensitivity Analysis**

The following tables summarise the sensitivity of the Group's financial assets to foreign currency exchange rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax profit and equity would have been affected as shown.

<b>Foreign Currency exchange rate risk</b>	<b>2014 AUD</b>	<b>2013 AUD</b>
Increase/(decrease) in profit		
Decline in AUD to BRL by 10%	(47,594)	(240,264)
Improvement in AUD to BRL by 10%	47,594	240,264
Increase/(decrease) in Equity		
Decline in AUD to BRL by 10%	(47,594)	(240,264)
Improvement in AUD to BRL by 10%	47,594	240,264

**25. SHARE-BASED PAYMENTS**

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	<b>Consolidated</b>	
	<b>2014 AUD</b>	<b>2013 AUD</b>
Options issued to directors, employees and contractors as part of:		
Share-based payment expense	140,000	-
Shares issued to director	400,000	-
	<b>540,000</b>	<b>-</b>

The fair value of share options granted to key management personnel is estimated as at the date of grant using Black Scholes Model. The following table lists the inputs to the model used for the year ended 31 December 2014. 20 million options were issued on 2 January 2015.

Key Management Personnel/Director	Youzhi Wei
Exercise Price	0.02
No. of Options	20,000,000
Grant Date	29-Dec-14
Vesting Date	29-Dec-14
Expiry Date	31-Dec-17
Share Price at Grant Date	0.02
Risk-free Interest Rate	-
Volatility	-
Fair Value at Grant Date	0.007



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014...CONTINUED

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2014		2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	6,500,000	0.20	12,500,000	0.14
Granted during the financial year	20,000,000	0.02	-	-
Expired / cancelled during the financial year	(6,500,000)	0.20	(6,000,000)	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year (i)	20,000,000	0.02	6,500,000	0.20
Exercisable at end of the financial year	20,000,000	0.02	3,500,000	0.20

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 3 year

## 26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, BrazIron Limited, at 31 December 2014. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2014	2013
	AUD	AUD
Current assets	4,310,974	5,360,024
Non-current assets	12,026,597	3,432,544
<b>Total assets</b>	<b>16,337,571</b>	<b>8,792,568</b>
Current liabilities	47,035	41,593
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>47,035</b>	<b>41,593</b>
<b>Net Assets</b>	<b>16,290,536</b>	<b>8,750,975</b>
Issued capital	53,107,596	43,521,704
Reserves	489,366	349,364
Accumulated losses	(37,306,426)	(35,120,093)
<b>Total equity</b>	<b>16,290,536</b>	<b>8,750,975</b>
Loss for the year	(2,186,328)	(1,845,646)
<b>Total comprehensive loss for the year</b>	<b>(2,186,328)</b>	<b>(1,845,646)</b>

- The parent entity has not entered into any guarantees as at 31 December 2014
- The parent entity has no contingent liability as at 31 December 2014 as disclosed in note 17
- The parent entity commitments are disclosed in note 18

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 47 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial year ended on that date;
- (b) 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
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Youzhi Wei  
Chairman  
Perth, 27 March 2015

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
BRAZIRON LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of BrazIron Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 for BrazIron Limited (the consolidated entity). The consolidated entity comprises both BrazIron Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of BrazIron 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 31 December 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

*Inherent Uncertainty Regarding Carrying Value of Capitalised Exploration Expenditure*

Without qualification to the opinion expressed above, attention is drawn to the following matter:

The recoverability of the consolidated entity's carrying value of exploration and evaluation assets of \$2,524,306 is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the consolidated entity is not successful in commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 9 to 12 of the directors' report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Opinion*

In our opinion the remuneration report of BrazIron Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International*

*Samir Tirodkar*

**Samir Tirodkar**  
Director

West Perth, Western Australia  
27 March 2015

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## ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 27 March 2015.

### 1. Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	Shareholders
1 - 1,000	2
1,001 - 5,000	12
5,001 - 10,000	53
10,001 - 100,000	78
100,001 and over	182
<b>Total</b>	<b>327</b>

The number of holders of less than a marketable parcel of ordinary fully paid shares is 13.

### 2. Substantial Shareholders

Substantial shareholders (i.e. shareholders who hold 5% or more of the issued capital):

	Number of Shares	Percentage Held
EXCELLENT GOAL INTERNATIONAL LIMITED	459,294,611	55.0%
YOUZHI WEI (1)	53,698,754	6.4%

(1) Dr Wei is the Director and sole shareholder of Wisdom Hope International and Health Glory International Limited

### 3. Voting Rights

#### (a) Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Group. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.

#### (b) Options

No voting rights

### 4. Quoted Securities on Issue

The number of quoted shares and options issued by the Group are set out below:

	Number
Ordinary fully paid shares	835,081,111
Options	20,000,000

### 5. On-Market Buy Back

There is no current on-market buy back.

### 6. Unquoted Equity Securities

	Number on issue	Number of holders
Options	20,000,000	1

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ADDITIONAL INFORMATION...CONTINUED

7. Top 20 Quoted Shareholders

Top 20 Quoted Shareholders	Number of Shares	Percentage Held
EXCELLENT GOAL INTERNATIONAL LIMITED	459,294,611	55.00%
CITICORP NOMINEES PTY LIMITED	41,478,156	4.97%
MR PEDRO JACOBI	34,844,521	4.17%
WISDOM HOPE INTERNATIONAL LTD	33,398,754	4.00%
MR CARLOS RENATO VEDOVATO	25,438,725	3.05%
MR WALTER GUIDICE	23,276,804	2.79%
HEALTH GLORY INTERNATIONAL LIMITED	20,000,000	2.39%
HONG KONG SAN XIN MINERALS COMPANY LIMITED	16,000,000	1.92%
MR ADRIANO GOMES COELHO	13,697,775	1.64%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	12,316,567	1.47%
QUEST STOCKBROKERS (HK) LIMITED <CLIENT A/C>	11,250,000	1.35%
MAJESTIC DIAMONDS & METALS INC	10,032,000	1.20%
INDI HOLDINGS PTY LTD	6,533,204	0.78%
TREASURE HARVEST INVESTMENTS LIMITED	5,000,000	0.60%
MR MITCHELL SOULE + MRS CHRISTINE SOULE	4,856,110	0.58%
MR AL WILKE + MRS JACQUELINE WILKE	4,850,243	0.58%
MR PEDRO BETTIM JACOBI	4,324,175	0.52%
MR MARCEL JACOBI	4,174,550	0.50%
TALBOT GROUP INVESTMENTS PTY LTD	4,000,000	0.48%
INDI HOLDINGS PTY LTD	3,311,260	0.40%
	<b>738,077,455</b>	<b>88.4%</b>

8. Incorporation and general information

The Group was incorporated in Bermuda as an exempted Group and is therefore subject to Bermudian law.

In Australia, the Group is registered as a foreign Group under the Australian Corporations Act (ABN 62 133 221 084). It is not subject to Chapter 6 of the Australian Corporations Act dealing with the acquisition of shares (including substantial shareholders notices and takeovers). However, BrazIron has inserted into its bye laws some restrictions on the acquisition of shares in the Group. These sections of the bye laws reflect the restrictions in acquisition of shares contained in parts 6.1 and 6.2 of the Australian Corporations Act. Additionally, the Group has undertaken to comply with the ASX Listing Rules.

Bermuda law does not impose any limitations on the acquisition of shares in the Group.

ADDITIONAL INFORMATION...continued

**9. Exploration Tenements**

<b>Xique Xique Project</b>					
<b>Tenement Schedule</b>					
<b>Licence No.</b>	<b>Registered Holder</b>	<b>Equity (%)</b>	<b>Issue Date</b>	<b>Expiry Date</b>	<b>Area (ha)</b>
870028/2005	BR Ferro Mineração S.A.	100%	13/06/2008	Final report submitted 9/6/2011	1,875.00
870031/2005	BR Ferro Mineração S.A.	100%	13/06/2008	Final report submitted 9/6/2011	2,000.00
870032/2005	BR Ferro Mineração S.A.	100%	13/06/2008	Final report submitted 9/6/2011	2,000.00
872189/2012	BR Ferro Mineração S.A.	100%	03/12/2013	04/10/2016	1,709.67
872190/2012	BR Ferro Mineração S.A.	100%	06/01/2014	07/11/2016	50.00
872519/2011	BR Ferro Mineração S.A.	100%	Application		999.92
871109/2012	BR Ferro Mineração S.A.	100%	03/12/013	01/10/2016	1,524.87
871110/2012	BR Ferro Mineração S.A.	100%	06/01/2014	07/11/2016	50.00
870310/2012	BR Ferro Mineração S.A.	100%	Application		1,982.91
870311/2012	BR Ferro Mineração S.A.	100%	Application		1,929.98
870312/2012	BR Ferro Mineração S.A.	100%	18/02/2014	20/12/2016	1,994.85
870313/2012	BR Ferro Mineração S.A.	100%	18/02/2014	20/12/2016	1,998.08
870314/2012	BR Ferro Mineração S.A.	100%	Application		1,745.42
<b>Total</b>					<b>19,860.70</b>

<b>Macaúbas Project</b>					
<b>Tenement Schedule</b>					
<b>Licence No.</b>	<b>Registered Holder</b>	<b>Equity (%)</b>	<b>Issue Date</b>	<b>Expiry Date</b>	<b>Area (ha)</b>
871933/2012	BR Ferro Mineração S.A.	100%	Application		221.18
871911/2012	BR Ferro Mineração S.A.	100%	Application		1,463.03
871275/2005	BR Ferro Mineração S.A.	100%	12/11/2008	Final report submitted 9/11/2011	1,751.37
870333/2012	BR Ferro Mineração S.A.	100%	Application		123.49
872683/2013	BR Ferro Mineração S.A.	100%	Application		53.92
<b>Total</b>					<b>3,612.99</b>

ADDITIONAL INFORMATION...continued

Xingu Project					
Tenement Schedule					
Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
850786/2004	Octa Ferro SA	100%	23/06/2005	Preliminary report submitted 24/04/2008	6,750.00
850791/2004	Octa Ferro SA	100%	23/06/2005	Preliminary report submitted 24/04/2008	3,928.75
850788/2004	Octa Ferro SA	100%	23/06/2005	Preliminary report submitted 24/04/2008	9,776.00
850557/2007	Octa Ferro SA	100%	Application	Preliminary report submitted 26/01/2012	9,853.14
850558/2007	Octa Ferro SA	100%	02/04/2009		3,541.95
851017/2014	Octa Ferro SA	100%	Application		364.18
850152/2008	Octa Ferro SA	100%	21/11/2011	22/09/2014	105.02
850107/2011	Octa Ferro SA	100%	Application		475.94
850108/2011	Octa Ferro SA	100%	Application		505.39
<b>Total</b>					<b>35,300.37</b>

BR Ferro Mineração S.A. is 100% owned by Octa Ferro S.A., which is owned 99.999% by BrazIron Participações Ltda, which is 100% owned by BrazIron Limited.

#### Competent Person Statement

*The information in this release which relates to Exploration Results and Mineral Resources is based on information compiled by Mr Dmitry Pertel and Mr Robert Annett, who are Members of the Australian Institute of Geosciences ("AIG"). Mr Pertel is employed by CSA Global Pty Ltd and Mr Annett is a geological consultant. Mr Pertel and Mr Annett have over 20 years of exploration and mining experience in a variety of mineral deposit styles, and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel and Mr Annett consent to the inclusion in this release of the matters based on their information in the form and context in which it appears*