

# **CENTRAL IRON ORE LIMITED**

## **Management Discussion and Analysis (Form 51-102F1) For the year ended June 30, 2014**

**Information as of October 28, 2014 unless otherwise stated**

### **Note to Reader**

The following management discussion and analysis of the financial condition and results of operations of Central Iron Ore (“CIO” or “the Company”) should be read in conjunction with the Company’s annual audited financial statements for the year ended June 30, 2014, together with the notes thereto, as well as the Company’s previous financial and MD&A reports. These annual audited financial statements have been prepared in accordance with International Financial Reporting Interpretation (IFRS).

### **Forward-Looking Information**

This discussion includes certain statements that may be deemed “forward-looking statements.” All statements in this discussion, other than statements of historical facts that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

### **Business of the Company**

Since listing on the TSX Venture Exchange (“TSX-V”) in 2007, CIO’s business has primarily involved acquiring and conducting exploration activities on prospective exploration and mining projects in Australia and Tanzania.

In recent years the Company has refocused its activities on the acquisition of projects considered to be prospective for iron ore in Australia. The Company has discontinued exploration of its Tanzanian uranium assets and has repositioned its British King and Eureka gold mines into two regional exploration and development gold prospects.

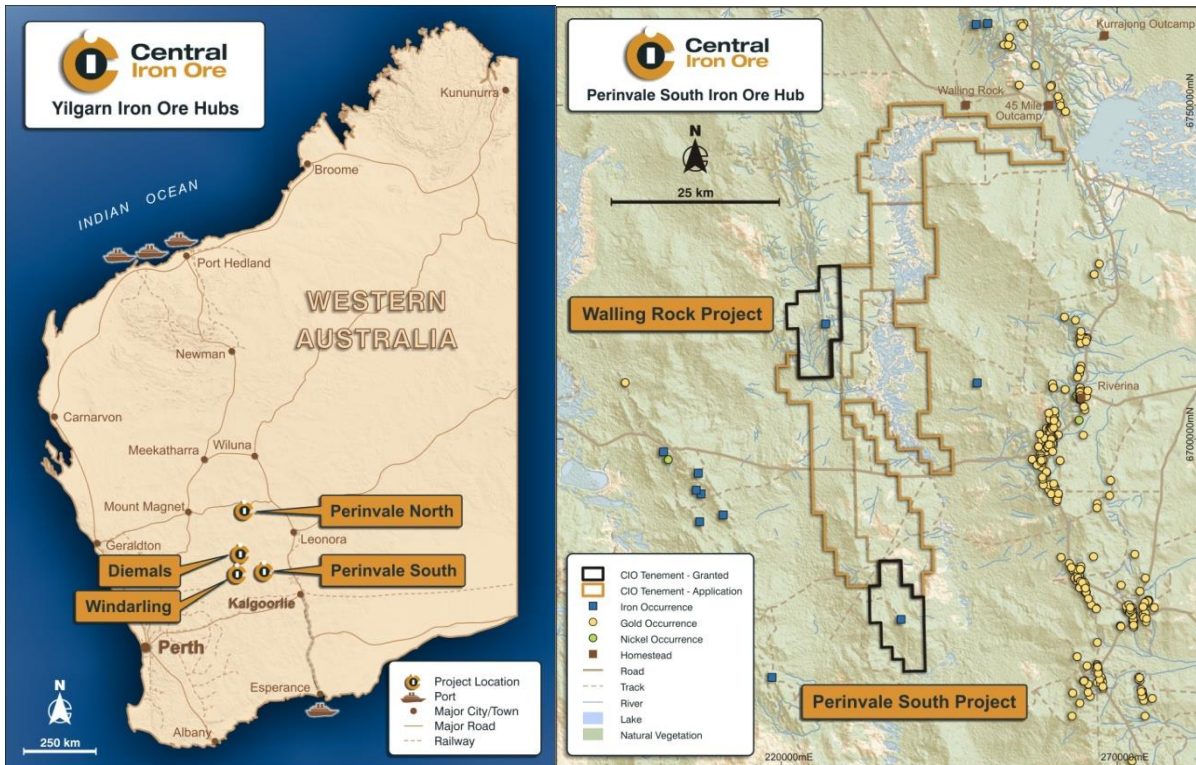
## Exploration and Development Update

During the year ended 30 June 2014, the Company:

- continued its iron ore exploration strategy; and
- continued its gold exploration strategy.

### YILGARN IRON ORE PROJECT (Western Australia)

The Company holds 5 iron ore tenements covering 570km<sup>2</sup>, located within the Yilgarn Iron Ore Province (“Yilgarn IOP”) in Western Australia, of which all tenements are granted. The Yilgarn IOP is considered highly prospective for iron ore, given its history of large-scale iron ore production, with the Cliffs Natural Resources Ltd-owned Koolyanobbing operation (formerly operated by Portman Limited) currently producing at a rate of approximately 8Mtpa of direct shipping ore (“DSO”).

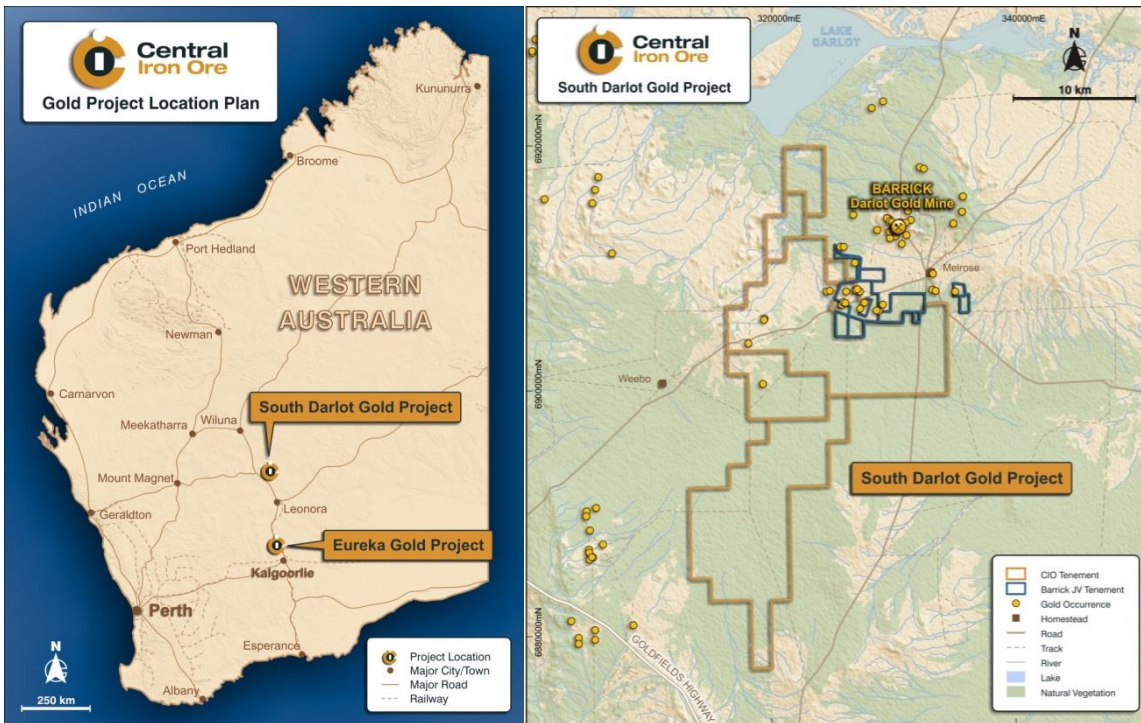


Hub	Project	Tenement	Status	Area (km <sup>2</sup> )
Perinvale South	Walling Rock	E30/414	Granted	93
Perinvale South	Perinvale South	E30/415	Granted	93
Perinvale South	Walling Rock	E30/0440	Granted	54
Perinvale South	Walling Rock	E30/0441	Granted	210
Perinvale North	Perinvale North	E57/818	Granted	120

## SOUTH DARLOT GOLD PROJECT (Western Australia)

The Company's South Darlot Gold Project area is located approximately 320km northwest of Kalgoorlie in Western Australia and includes:

- The British King Mine which is 100% owned by the Company and which is National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI43-101”) compliant. The British King Mine is 5km southwest of Barrick Gold Corporation Limited’s Darlot Mine. The British King Mine is currently under care and maintenance.
- A 100% CIO owned tenement package covering 267km<sup>2</sup>.
- A number of tenements which are subject to a joint venture with subsidiaries of Barrick Gold Corporation Limited (“Barrick”), details of which are set out below, in which CIO has earned a 70% interest.



The Company's current 100% owned South Darlot Gold Project tenement package covers 267km<sup>2</sup>. Details of the Company's 100% owned South Darlot Gold Project and British King Project tenements are set out below.

Project	Tenement	Status	Area (km <sup>2</sup> )
South Darlot	E37/882	Granted	84
South Darlot	E37/1054	Granted	33
South Darlot	E37/1085	Granted	24
South Darlot	E37/1086	Granted	3
South Darlot	E37/1106	Granted	123
British King	M37/30	Granted	0.1
British King	P37/7026	Granted	0.1

The Company's strategy and objective in respect of the South Darlot Gold Project is to evaluate the gold prospectivity of the region, generate targets, consolidate the tenement position and acquire all necessary access approvals in order to progress to the next stage of exploration. The Company has identified seven prospective targets on its 100% owned tenements and intends to systematically evaluate those targets over the next 12 months.

**Barrick Joint Venture Project (Western Australia)**

The tenements set out in the table below ("Barrick JV Tenements") are the subject of a joint venture between the Company and subsidiaries of Barrick ("Barrick JV"), and are situated southwest of Barrick's Darlot gold mine and are contiguous with CIO's current holdings in the area. The Barrick JV Tenements are detailed below.

Project	Tenement	Status	Area (ha)
Barrick JV	M37/421	Granted	381
Barrick JV	M37/552	Granted	200
Barrick JV	M37/631	Granted	776
Barrick JV	M37/632	Granted	595
Barrick JV	M37/709	Granted	98
Barrick JV	M37/1045	Granted	90
Barrick JV	P37/7364	Granted	197
Barrick JV	P37/7365	Granted	200
Barrick JV	P37/7366	Granted	113
Barrick JV	P37/7367	Granted	45

The Company's strategy and objective for the Barrick JV Tenements, the strategy and objective is to evaluate their gold prospectivity and deliver on target generation and access. The Company has identified 24 prospective targets on the Barrick JV Tenements and will systematically evaluate those targets over the next 12 months, with a priority being placed on the exploration of the Mermaid and Endeavour Prospects.

As at the date of this report, the Company has earned a 70% interest in the Barrick JV Tenements in accordance with the Barrick JV and is continuing exploration on the Barrick JV Tenements.

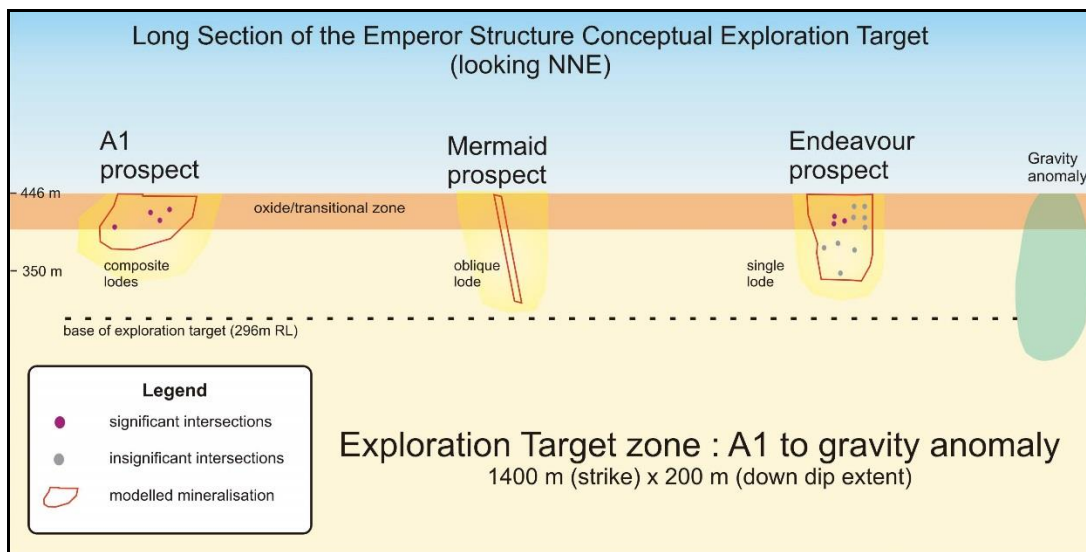
During the year ended June 30, 2014, Barrick's interest in the Darlot region were acquired by Gold Fields Limited.

## Emperor Structure Exploration Target

On January 22, 2013, CIO announced an exploration target of 1.7 to 4.1 million tonnes at 5.0g/t to 11.5g/t Au (270,000 to 1,500,000 Oz of Au) on the Emperor Structure at its South Darlot Gold Project. The exploration target was interpreted as a linear structure from historical gold workings, gold occurrences within historical drill holes, aeromagnetic and gravity geophysics as well as results from the Company's recent drilling program.

The exploration target for the Emperor Structure has been estimated based on a number of assumptions and limitations which include, among other things:

- The strike length of the structure is 1,400 metres.
- The geometry of the Structure remains constant over their entire length.
- The model depth extent has been fixed to 150 metres (200 metres down dip extent).
- The average true width is 3.9 metres.
- 100% recovery and no dilution.
- The specific gravity of the material is 2.51t/m<sup>3</sup>.
- The grade range reflects the average gold concentrations utilising suitable gold top cuts.
- Tonnage range is +20% and -50%.
- It does not take into account the depth to top or effect of dip of the models and how this may impact potential mining viability.



The estimates of exploration target sizes mentioned in this announcement should not be misunderstood or misconstrued as estimates of mineral resources as defined in NI 43-101. The potential quantity and grade of the exploration targets are conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

## QUALIFIED PERSON

Mr Darryl Mapleson who is a Fellow of Australasian Institute of Mining and Metallurgy has compiled the information within this report relating to mineralisation and drill results. Mr Mapleson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

## Endeavour Prospect

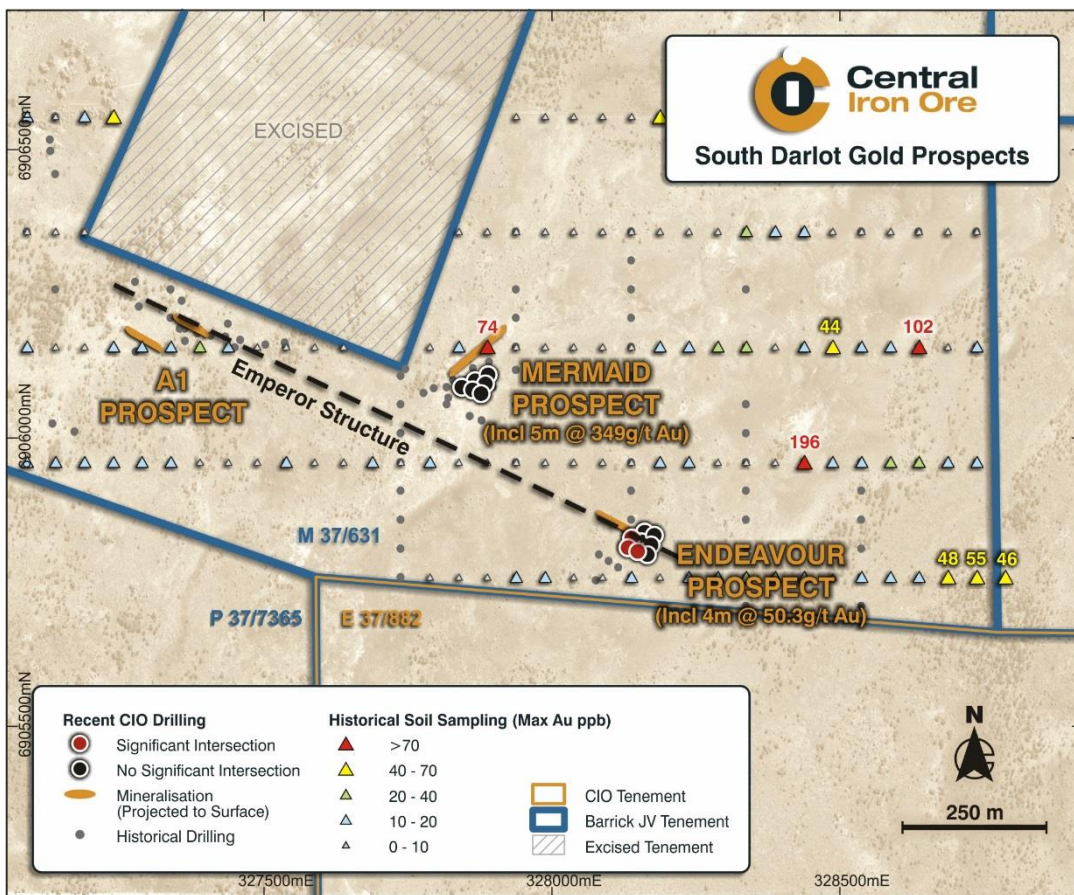
The drilling at the Endeavour Prospect included 5 holes for resource definition, 2 holes for metallurgical test work and 1 diamond tail 1 hole for geotechnical test work. A total of 554 metres were drilled at the Endeavour Prospect as part of this program. The highlights of the drill results include:

- 4m at 50.3 g/t Au including 1m at 158 g/t Au from 43m.
- 7m at 27.1g/t Au including 1m at 159 g/t Au from 46m.
- 4m at 23.2 g/t Au including 1m at 81.8 g/t Au from 28m.

The drill results confirm and extend the results from historical drilling while recent surface sampling and mapping infer further extensions. The significant historical results for the Endeavour Prospect were:

- 4m at 70.6 g/t Au from 36m.
- 8m at 23.6g/t Au from 34m.

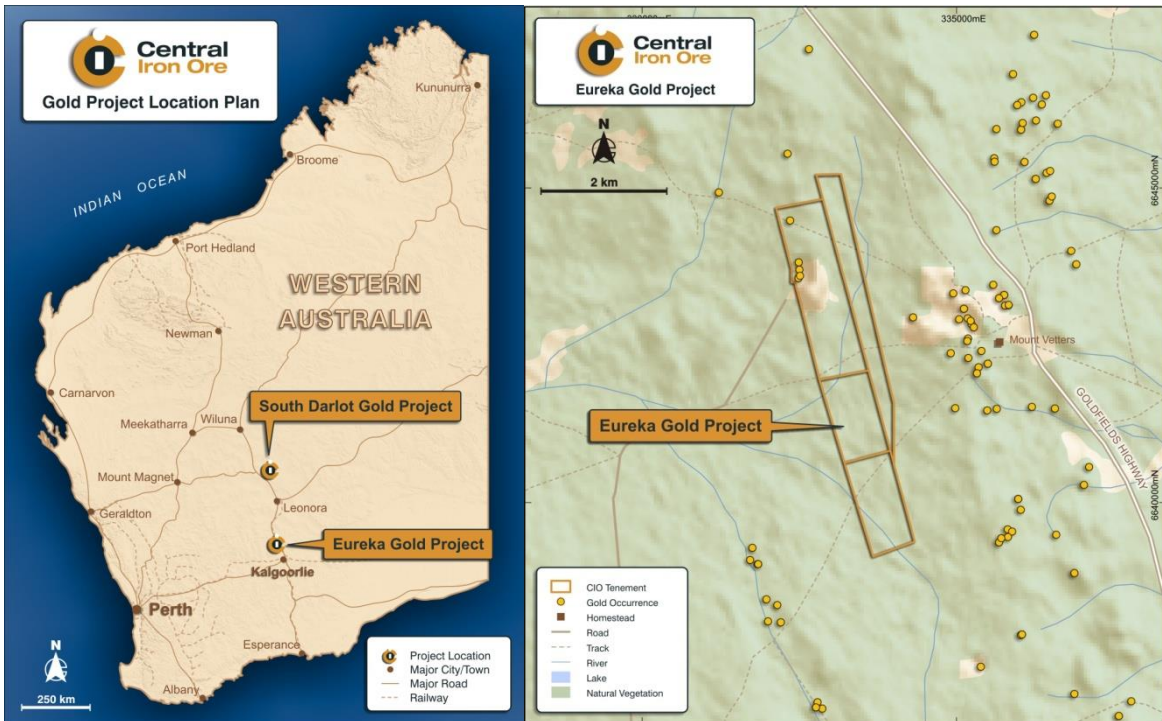
The widths described are drill intersection lengths and the true widths have not been estimated. The true widths will be estimated as part of the exploration target process.



## EUREKA GOLD PROJECT (Western Australia)

The Eureka gold project is approximately 50km north of Kalgoorlie and includes the Eureka open pit gold mine which is 100% owned by the Company and is NI43-101 compliant. The Eureka gold mine is currently under care and maintenance. The Company's tenement package comprising the Eureka gold project covers 563 hectares.

Project	Tenement	Status	Area (ha)
Eureka Gold	M24/189	Granted	218.15
Eureka Gold	M24/584	Granted	110.5
Eureka Gold	M24/585	Granted	104.5
Eureka Gold	M24/586	Granted	130



**MINERAL PROPERTIES (all amounts in Australian dollars)**

Tenement	Status	Area (km <sup>2</sup> )	Grant Date	Expiry Date	Annual Rent	Expenditure
M24/189	Granted	2.18	15/02/1988	14/02/2030	\$3,035.34	\$21,900
M24/584	Granted	1.10	25/10/2000	24/10/2021	\$1,538.46	\$11,100
M24/585	Granted	1.04	25/10/2000	24/10/2021	\$1,455.30	\$10,500
M24/586	Granted	1.30	25/10/2000	24/10/2021	\$1,801.80	\$13,000
E37/882	Granted	84	26/03/2008	25/03/2015	\$8,856.21	\$47,000
E37/1054	Granted	33	1/04/2011	30/03/2016	\$1,332.21	\$20,000
E37/1085	Granted	24	12/08/2011	11/08/2016	\$1,021.50	\$20,000
E37/1086	Granted	3	12/08/2011	11/08/2016	\$273.00	\$10,000
E37/1106	Granted	123	22/06/2012	21/06/2017	\$4,784.70	\$41,000
M37/30	Granted	0.1	4/07/1984	3/07/2026	\$159.50	\$10,000
L37/162	Granted	0.1	25/10/2006	24/10/2027	\$99.33	
P37/7026	Granted	0.1	16/05/2007	15/05/2011	\$23.1	\$2,000
E30/414	Granted	93	15/09/2010	14/09/2015	\$3,754.00	\$31,000
E30/415	Granted	93	10/05/2011	9/05/2016	\$3,341.41	\$31,000
E30/440	Granted	54	05/09/2012	04/09/2017	2,100.00	\$20,000
E30/441	Granted	210	02/04/2013	01/04/2018	8169.00	\$70,000
E57/818	Granted	120	22/02/2011	21/02/2016	\$4,844.40	\$40,000

**Barrick JV Tenement Package**

Tenement	Status	Area (ha)	Grant Date	Expiry Date	Annual Rent	Expenditure
M37/421	Granted	381	24/11/1993	23/11/2014	\$6,075.95	\$38,100
M37/552	Granted	200	5/12/2008	4/12/2029	\$3,190.00	\$20,000
M37/631	Granted	776	23/05/2007	22/05/2028	\$12,393.15	\$77,700
M37/632	Granted	595	23/05/2007	22/05/2028	\$9,490.25	\$59,500
M37/709	Granted	98	23/01/2008	22/01/2029	\$1,563.00	\$10,000
M37/1045	Granted	90	25/02/2009	24/02/2030		\$10,000
P37/7364	Granted	197	29/01/2008	28/01/2016	\$457.38	\$7,920
P37/7365	Granted	200	29/01/2008	28/01/2016	\$462.00	\$8,000
P37/7366	Granted	113	29/01/2008	28/01/2016	\$261.03	\$4,520
P37/7367	Granted	45	29/01/2008	28/01/2016	\$103.95	\$2,000

## **CORPORATE UPDATE**

### **EXTENSION OF EXPIRATION DATE OF WARRANTS**

On April 25, 2013, CIO announced the extension of the term of 10,000,000 common share purchase warrants that were issued as part of a private placement which was completed on May 13, 2011 ("Warrants"). The Warrants are exercisable for one common share in the capital of the Company, at an exercise price of \$0.30. The Company submitted an application to the TSX Venture Exchange to have the expiration date of the Warrants extended to May 13, 2015, which application has been granted.

### **BOARD AND MANAGEMENT CHANGES**

On October 25, 2013, CIO announced that Mr David Taylor had resigned as a director of CIO and Mr Graham Hurwitz had resigned from the role of Chief Financial Officer. Mr David Deitz has been appointed to the role of Chief Financial Officer.

## **Risks and Uncertainties**

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

### **General**

The Company is an Australian junior mineral exploration and development company listed on the TSX Venture Exchange and engaged in the exploration and development of mineral properties located in Western Australia. It has not yet determined whether all of its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing that may be required.

The financial statements and management's discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the year ended June 30, 2014 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration and development activities that are being conducted, which in turn may depend on the Company's recent exploration and development experience and prospects, as well as the general market conditions relating to the availability of funding for exploration and development-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration and development work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

### **Trends**

The Company's financial success is dependent upon the discovery of commercial mineral resources which could be economically viable to develop. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

### **Competitive Conditions**

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. The Company competes with many other companies that have substantially greater financial resources than the Company and its ability to compete is dependent of being able to raise additional funds as and when required.

## **Environmental Factors and Protection Requirements**

The Company currently conducts exploration and development activities in Western Australia. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with nil to minimal environmental impact.

## **Mineral Exploration and Development**

The Company's properties are in the exploration and development stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of an ore body of commercial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

## **Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

## **Economics of Developing Mineral Properties**

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract minerals and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

## **Commodity Prices**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of minerals or interests related thereto. The price of various minerals have fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of mineral substitutes, mineral stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of various minerals, and therefore the economic viability of the Company's operations cannot accurately be predicted.

## **Currency Risk**

The Company's revenues and expenses will be incurred in Australian dollars, though its financings are completed in Canadian dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the Australian dollar. This could adversely affect the Company's financial position and operating results.

## **Title**

There is no guarantee that title to properties in which the Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

## **Governmental Regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by:

- (i) government regulations relating to such matters as environmental protection, health, safety and labour;
- (ii) mining law reform;
- (iii) restrictions on production, price controls, and tax increases;
- (iv) maintenance of claims;
- (v) tenure; and
- (vi) expropriation of property.

There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted. If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

## Management and Directors

The Company is dependent on a relatively small number of directors:

- Richard Homsany - Chairman
- Brett Hodgins - President / CEO
- Anthony Howland-Rose - Director
- Hugh Pinniger - COO
- David Deitz - CFO

On October 25, 2013, CIO announced that Mr David Taylor has resigned as a director of CIO and Mr Graham Hurwitz has resigned from the role of Chief Financial Officer. Mr David Deitz, has been appointed to the role of Chief Financial Officer.

### Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

### Limited Operating History: Losses

The Company has experienced losses in previous years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at June 30, 2014, the Company's deficit was \$20,250,439.

### Price Fluctuations: Share Price Volatility

For the year ended June 30, 2014, the closing price of the Company's shares fluctuated from a high of \$0.02 per share to a low of \$0.005 per share. There can be no assurance that continual fluctuations in price will not occur.

### Exploration Target

The estimates of exploration target sizes mentioned in this document should not be misunderstood or misconstrued as estimates of mineral resources as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”). The potential quantity and grade of the exploration targets are conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

## Market Conditions

### Global Economy

Global activity has broadly strengthened and is expected to improve further in 2014–15, with much of the impetus coming from advanced economies. Inflation in these economies, however, has undershot projections, reflecting still-large output gaps and recent commodity price declines. Activity in many emerging market economies has disappointed in a less favorable external financial environment, although they continue to contribute more than two-thirds of global growth. Their output growth is expected to be lifted by stronger exports to advanced economies. In this setting, downside risks identified in previous World Economic Outlook reports have diminished somewhat. There are three caveats: emerging market risks have increased, there are risks to activity from lower-than-expected inflation in advanced economies, and geopolitical risks have resurfaced. Overall, the balance of risks, while improved, remains on the downside.

The renewed increase in financial volatility in late January of this year highlights the challenges for emerging market economies posed by the changing external environment. The proximate cause seems to have been renewed market concern about emerging market fundamentals. Although market pressures were relatively broadly based, countries with higher inflation and wider current account deficits were generally more affected. Some of these weaknesses have been present for some time, but with prospects of improved returns in advanced economies, investor sentiment is now less favorable toward emerging market risks. In view of possible capital flow reversals, risks related to sizable external funding needs and disorderly currency depreciations are a concern. Some emerging market economies have tightened macroeconomic policies to shore up confidence and strengthen their commitment to policy objectives. Overall, financial conditions have tightened further in some emerging market economies compared with the October 2013 World Economic Outlook. The cost of capital has increased as a result, and this is expected to dampen investment and weigh on growth.

Looking ahead, global growth is projected to strengthen from 3 percent in 2013 to 3.6 percent in 2014 and 3.9 percent in 2015, broadly unchanged from the October 2013 outlook. In advanced economies, growth is expected to increase to about 2¼ percent in 2014–15, an improvement of about 1 percentage point compared with 2013. Key drivers are a reduction in fiscal tightening, except in Japan, and still highly accommodative monetary conditions. Growth will be strongest in the United States at about 2¾ percent. Growth is projected to be positive but varied in the euro area: stronger in the core, but weaker in countries with high debt (both private and public) and financial fragmentation, which will both weigh on domestic demand. In emerging market and developing economies, growth is projected to pick up gradually from 4.7 percent in 2013 to about 5 percent in 2014 and 5¼ percent in 2015. Growth will be helped by stronger external demand from advanced economies, but tighter financial conditions will dampen domestic demand growth. In China, growth is projected to remain at about 7½ percent in 2014 as the authorities seek to rein in credit and advance reforms while ensuring a gradual transition to a more balanced and sustainable growth path.

The global recovery is still fragile despite improved prospects, and significant downside risks—both old and new—remain. Recently, some new geopolitical risks have emerged. On old risks, those related to emerging market economies have increased with the changing external environment. As highlighted in the April 2014 Global Financial Stability Report, unexpectedly rapid normalization of U.S. monetary policy or renewed bouts of high risk aversion on the part of investors could result in further financial turmoil. This would lead to difficult adjustments in some emerging market economies, with a risk of contagion and broad-based financial stress, and thus lower growth. In advanced economies, risks to activity associated with very low inflation have come to the fore, especially in the euro area, where large output gaps have contributed to low inflation. With inflation likely to remain below target for some time, longer-term inflation expectations might drift down, leading to even lower inflation than is currently expected, or possibly to deflation if other downside risks to activity materialize. The result would be higher real interest rates, an increase in private and public debt burdens, and weaker demand and output.

The strengthening of the recovery from the Great Recession in the advanced economies is a welcome development. But growth is not evenly robust across the globe, and more policy efforts are needed to fully restore confidence, ensure robust growth, and lower downside risks.

(Source: IMF World Economic Outlook, April, 2014, [www.imf.org](http://www.imf.org))

## **Gold Market**

Gold demand had a robust start to 2014 – virtually unchanged year-on-year at 1,074.5 tonnes (t). Jewellery demand made moderate gains of 3% largely due to lower gold prices compared with Q1 2013 and seasonal factors, notably Chinese New Year, which contributed to record first-quarter jewellery demand in China. Movements within the investment space were more striking: net ETF flows were zero, compared with 177t of outflows in Q1 2013, while bar and coin investment unsurprisingly fell far short (-39%) of the record levels of demand seen a year ago. The net impact on Q1 investment demand was minimal: it was down by just 6t (2%) year-on-year.

In the official sector, central banks continued to purchase gold for its diversification and risk management properties, adding 122.4t, while substitution to other materials continued to impact gold demand in the technology space – down 4% year-on-year. The supply of gold edged only marginally higher (+1%) in Q1 as an increase in mine production was counterbalanced by another notable decline in the supply of recycled gold.

2013 was unquestionably an exceptional year, which saw consumers flooding into gold as the price fell. As 2014 gets underway, it is worth noting that year-on-year comparisons will be affected by the extraordinary levels of demand that were seen in the consumer space last year.

Jewellery demand was well supported in the first quarter, exceeding the total from Q1 last year – a period in which we saw the beginnings of 2013's remarkable consumer resurgence. Lower gold prices were the most important factor behind the growth in Q1 jewellery demand; the average US\$ price was 21% lower than the year-earlier period. This decline in the international price was echoed in many markets, with European and Chinese consumers benefiting from a similar lower-price environment.

The first quarter of this year saw a continuation of momentum in the jewellery markets, with demand following traditional patterns. Seasonal effects were particularly notable in China, where the response to the Chinese New Year followed its customary path: Q4 strength in consumer demand and stock-building, in preparation for New Year and Valentine's Day, continued into January before quickly subsiding once the holiday period was over. Demand remained subdued throughout the closing weeks of the quarter. This was repeated throughout South East Asia, with demand in Thailand, Vietnam and Indonesia also showing the usual New Year-related surge.

Among the western markets, the US and UK improved further, building on the tentative recovery that began last year as better economic conditions, coupled with lower average gold prices, buoyed demand. As we have discussed previously, the longer supply chain in these markets mean that reductions in the international price take much longer to feed through to the retail level. By the end of last year, retailers were in a position to pass on lower prices to end-users and growth in demand is evidence of a positive consumer response.

(Source: World Gold Council, Q1 2014 Gold Demand Trends report, May, 2014, [http://www.gold.org/media/press\\_releases/archive/2014/05/gold\\_demand\\_trends\\_q1\\_2014\\_press\\_release/](http://www.gold.org/media/press_releases/archive/2014/05/gold_demand_trends_q1_2014_press_release/))

## SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years of the Company up to and including June 30, 2014. This financial information is derived from the financial statements of the Company. The Company prepares financial information according to IFRS and all information is reported in Australian dollars.

	2014	2013	2012
Income from continuing operations	6,634	108,459	263,599
Net loss for the year	(706,152)	(1,458,134)	(1,287,447)
Net loss per share	(0.01)	(0.020)	(0.03)
Total Assets	3,374,754	3,884,928	5,249,874
Total Long-term financial liabilities	0	242,520	0

## RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(all amounts in Australian dollars)

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the last 3 financial years, the Company has consistently reported net losses. The most significant factor affecting losses during the last three financial years is continuing administrative expenses, which includes consulting, professional fees, salaries, management fees, office and miscellaneous expenses and stock based compensation. Other factors affecting losses include amortization and exploration and development costs.

Income is predominantly derived from interest income. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

### Exploration and Development Expenses

For the last year ended June 30, 2014 the Company expended \$290,080 on exploration and development activities. This compares with \$167,404 for the corresponding year ended June 30, 2013. These costs have increased compared to the previous financial year owing to field work.

Expensed and capitalized exploration and development costs, on a property by property basis are as follows:

Australian \$	2014	2013	2012
<b>Expenses</b>			
British King mine	82,006	7,267	95,522
Eureka mine	0	0	0
Tanzania	0	0	0
Yilgarn	10,656	0	17,730
<b>Capitalized expenses</b>			
British King mine	160,101	118,494	171,240
Eureka mine	66,107	11,154	23,959
Yilgarn Project	(28,790)	30,489	133,387

## Administrative Expenses

For the year ended June 30, 2014 the Company incurred administrative expenses of \$215,714 compared to \$798,142 for the year ended June 30, 2013.

## Income

Income is normally comprised of consulting fees, rents and interest income. For the year ended June 30, 2014, the Company earned income of \$6,634, compared to income of \$108,459 for the year ended June 30, 2013. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

## Income Taxes

No provision has been made for income tax liability for the years ended June 30, 2014 and June 30, 2013.

## Net Losses

The net loss for the year ended June 30, 2014 was \$706,152 compared with the net loss for the corresponding year ended June 30, 2013 of \$1,458,134.

## Change in Financial Position

At June 30, 2014, the Company had total assets of \$3,374,754 compared to \$3,884,928 at June 30, 2013. Net assets decreased owing mainly to the decrease in cash. The Company had a cash balance of \$20,394 at June 30, 2014 compared to a cash balance of \$229,087 at June 30, 2013.

At June 30, 2014 the Company had a net working capital deficit of \$75,041 compared with a net working capital surplus of \$19,339 at June 30, 2013. The decrease in the net working capital surplus results from increased exploration expenses.

## SUMMARY OF QUARTERLY INFORMATION (all amounts in Australian dollars)

The following table sets forth a comparison of revenues and earnings for the previous 8 quarters ending with June 30, 2014. This financial information is derived from the financial statements of the Company. The Company prepares financial information according to Canadian GAAP and all information is reported in Australian dollars.

Australian \$	Quarter to Jun 30, 2014	Quarter to Mar 31, 2014	Quarter to Dec 31, 2013	Quarter to Sept 30, 2013	Quarter to Jun 30, 2013	Quarter to Mar 31, 2013	Quarter to Dec 31, 2012	Quarter to Sept 30, 2012
Income from continuing operations	453	1,424	2,249	2,508	54,259	2,545	14,460	37,194
Net profit/loss for the period	(897,052)	(13,821)	(53,128)	(38,413)	(683,583)	(127,441)	(351,422)	(295,688)
Net profit/loss per basic and diluted share	(0.001)	(0.0002)	(0.001)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)

The Company has not recognized any revenue or incurred any loss from discontinued operations or extraordinary items since becoming a reporting issuer.

During the eight quarters, the Company has consistently reported net losses. The most significant factor affecting quarterly losses during the last 8 quarters is continuing administrative expenses, which includes amortization, consulting fees, interest, professional fees, listing and filing fees, expenses office and miscellaneous, property investigation costs, salaries and management fees and travel and accommodation costs.

Income is predominantly derived from interest income and rental. Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

No cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to acquire, explore and develop mineral properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

Apart from the initiatives discussed above, the Company is not aware of any trends, commitments or events that may affect its liquidity in the foreseeable future. The Company has not made any commitments for capital expenditures. Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of raising additional funds through private placements and its planned exploration programs.

At June 30, 2014, the Company had a net working capital deficit of (\$75,041).

The Company will meet its future cash commitments through further capital raisings.

## **COMMITMENTS**

Certain future exploration expenditures are required to be undertaken by the Company as a minimum retention for exploration permits. These expenditures were set out in Note 21 to the financial statements for June 30, 2014.

Apart from the above, the Company has no other material commitments at this time.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing, hedging or research and development services with the Company.

## **ACCOUNTING POLICIES**

Accounting policies are listed in Note 1 to the Financial Statements for June 30, 2014.

## **RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- (a) Paid or accrued \$16,000 (June 30, 2013 - \$218,575) in consulting fees, to directors of the Company.
- (b) Paid or accrued \$2,420 (June 30, 2013 - \$17,829) in accounting fees to officers of the Company.
- (c) Paid or accrued \$0 (June 30, 2013 – \$33,233) in legal fees to Cardinals Corporate Pty Ltd trading as Cardinals Lawyers and Consultants, a related party by way of common directors.

Included in non-current liabilities - loans payable at June 30, 2014 was \$Nil (June 30, 2013 - \$Nil) owed to companies owned by directors and former directors of the Company. The Company paid or accrued \$Nil (June 30, 2013 - \$Nil) in interest expense related to the loans payable due to related parties.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's size and the number of staff impact the Company's internal controls. Due to the limited number of staff, it is not possible to achieve complete segregation of duties. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, IFRS matters, tax compliance and reporting for its international operations.

Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations.

Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

The CEO and the CFO oversee all material transactions and related accounting records. The audit committee of the Company, with management, reviews the financial statements of the Company, on a quarterly basis.

While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financing reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

## **FINANCIAL INSTRUMENTS**

Fair value estimates of financial instruments are made at a specific point of time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, sundry receivables, and accounts payable and accrued liabilities and amounts due to related parties approximate their fair market value because of the short-term nature of these instruments.

## **OUTSTANDING SHARE DATA AS OF OCTOBER 28, 2014:**

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorised Common Shares (No par value)</b>	<b>Issued</b>
Common	No par value	Unlimited	72,710,741

As at October 28, 2014, 10,000,000 warrants are outstanding.

## **COMPETENT PERSON'S STATEMENT**

Mr Darryl Mapleson who is a Fellow of Australasian Institute of Mining and Metallurgy has compiled the information within this report relating to mineralisation and drill results. Mr Mapleson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity currently being undertaken to qualify as a Competent Person as defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

**OTHER INFORMATION**

The Company's website address is [www.centralironorelimited.com](http://www.centralironorelimited.com). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**BY ORDER OF THE BOARD**

*"Brett James Hodgins"*

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Brett James Hodgins, Director  
President and CEO

*"Richard Homsany"*

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Richard Homsany  
Director