

2009 ANNUAL REPORT



Mount Gibson Iron

Mount Gibson Iron Limited is an Australian “pure play” iron ore company and is well-established in the bulk commodities sector. The company was established in Perth in 1996 and was listed on the Australian Securities Exchange in 2002.

Mount Gibson owns and operates two hematite iron ore mines in Western Australia – the Talling Peak mine, east of Geraldton in the Mid West region, and the Koolan Island mine off the Kimberley coast in the remote north of the State.

Mount Gibson also owns the rights to mine hematite at Extension Hill in the Mt Gibson range east of Geraldton.

As the leading iron ore producer in Western Australia’s Mid West region, Mount Gibson is a driving force behind development in the area, advancing essential road, rail and port infrastructure projects.

The company has reinforced its solid foundations and is well positioned to weather current market uncertainty and benefit from an inevitable recovery.

**Contents**

Performance Summary	1
Chairman and MD Report	2
Operational Review	4
Exploration	7
Sustainability	10
Resources & Reserves	16
Financial Report	17
Directors’ Report	18
Financial Statements	34
Corporate Governance	83
ASX and Additional Information	86
Corporate Directory	89

**Purpose**

To provide sustainable long term return to shareholders.

**Core Value**

A successful, profitable and sustainable mid-cap mining company.

**Overall Objective**

Mount Gibson seeks to maintain and grow long-term profitability through discovery, development, participation and/or acquisition of mineral resources.

As an established producer of direct ship hematite ore, Mount Gibson has a clearly defined operating strategy to produce 10 million tonnes of high grade hematite ore per annum from its three Western Australian mines by 2012.



# PERFORMANCE SUMMARY



## ▲ OPERATIONAL HIGHLIGHTS

- Continued strong and disciplined operational performance throughout rapidly deteriorating market conditions
- Sales of 5.4 million tonnes, equalled the previous year's record levels
- 10 millionth tonne of ore delivered to Geraldton Port in March 2009
- Record material movements at Koolan Island, up 38% on the previous year
- Record total quarterly ore sales in last quarter
- Record ore production at Koolan Island in last quarter
- Extension Hill drilling results indicate further extension of mineralisation
- All environmental approvals required to operate the Extension Hill Hematite Mine including the Hematite Transport Proposal have been received

## ▲ FINANCIAL HIGHLIGHTS

- Full year net profit after tax of \$42.6 million
- Sales revenue of \$425.4 million
- Operating profit before tax – \$61.7 million
- Total assets – \$1,112.9 million
- Net assets – \$780.5 million
- Cash on hand at 30 June 2008 – \$222.0 million
- Debt drawn at 30 June 2008 – \$105.0 million
- Shougang Concord placement raises \$66 million
- Rights Issue raises \$96.5 million

# CHAIRMAN AND MANAGING DIRECTOR REPORT

When Mount Gibson reported to you in 2008 it is safe to say that the global and Australian economies were outwardly strong and at the time of preparing the Annual Report Mount Gibson was experiencing record operational and financial performance. It is fair to say that Mount Gibson was enjoying the benefits of disciplined planning and investment in the company's projects.

Mount Gibson was well positioned to capitalise on a strong iron ore market and the company had experienced strong capital growth.

In the space of several months, commencing in the second quarter of the 2008/09 financial year, the market in which Mount Gibson operated altered dramatically as demand for iron ore in China slowed due to prevailing economic uncertainty and tightening credit market which lead to reductions in steel production and a build-up of iron ore stockpiles at Chinese ports.

Mount Gibson received a number of requests from existing long term customers to defer and cancel iron ore shipments. The company was under no obligation to agree to customer requests for deferred iron ore shipments given each customer had binding long term ore sales agreements and was contractually obliged to take delivery of allocated shipments. Ultimately three customers materially breached their ore sales agreements and their contracts were terminated in accordance with the agreements.

## CORPORATE AND FINANCING RESPONSE

The Board and management of Mount Gibson, recognising the severity of the market conditions moved quickly to mitigate the impact that reduced ore sales would have on the company. The failure of the customers to honour their long term iron ore sales agreements, coupled with the global credit squeeze and other factors beyond our control placed Mount Gibson under significant financial stress.

To ensure Mount Gibson could continue to trade as a going concern and to underwrite project development plans the Board recommended shareholders approve:

- medium and long term **offtake agreements** with APAC Resources Limited and Shougang Concord International Enterprises Company Limited,
- underwriting of a **rights issue** by APAC and Shougang Concord, and
- **placement** of 110 million Mount Gibson shares to Shougang Concord.

### Offtake agreements

Three offtake arrangements were entered into;

1. The short term offtake for November and December 2008 saw APAC and Shougang Concord purchase all available production at US\$40 per wet metric tonne,
2. The medium term offtake running from 1 January to 30 June 2009 saw Shougang Concord purchase all available production for US\$56 per wet metric tonne, and
3. Under the long term offtake APAC and Shougang Concord will purchase 20 per cent and 80 per cent respectively of all available production for life of mine at the Hamersley Benchmark Price for Lump and Fines less a discount of 10 per cent.

Available production does not include existing customers who have not defaulted on their contracts and who will continue to be supplied in accordance with and at the prices specified in their existing offtake agreements.

This was a significant outcome for Mount Gibson's short term survival and long term financial well being, particularly in a sharply contracting iron ore market.

### Rights issue

The 1 for 5 rights issue, underwritten by APAC and Shougang Concord raised A\$96.5 million. The issue price was A\$0.60 per share which was a 29 per cent premium to the 26 day volume weighted average price for Mount Gibson shares. In a sharply falling share market this was a very strong outcome.

### Placement

Mount Gibson raised an additional A\$66 million in gross proceeds from the placement

of 110 million shares to Shougang Concord at A\$0.60 per share.

On 30 June 2009, Mount Gibson also signed an Amended Facility Agreement with its Banking Syndicate and restructured its US dollar foreign exchange hedge book.

In a volatile and adverse market environment and with the difficulties in raising debt and equity at that time, this series of arrangements was a significant achievement that averted the potential collapse of Mount Gibson and underwrote the future development of our growth projects.

The overwhelming support from our shareholders for these proposals, reflecting their confidence in the company and our future, saw A\$162.5 million before expenses raised, and equally importantly secured medium and long term iron ore offtake agreements for all of Mount Gibson's available production from Talling Peak, Koolan Island and Extension Hill.

## OPERATIONS

As a result of the significant financial constraints the company was facing Mount Gibson put in place a range of measures across all operations aimed at reducing cash expenditure in a deteriorating iron ore and financial market.

Mine production was reduced at Talling Peak and a modified mine plan introduced which saw the T6A3 cutback divided into two staged cutbacks, with primary production from T6A3b and additional high grade ore being sourced from the T6A1 and T6A2 cutbacks as required.

Operations at Koolan Island were modified substantially and mine management moved quickly to curb expenditure by reducing mine operating activities, reducing equipment requirements and suspending capital projects. This was achieved without a significant reduction of Mount Gibson employees however contract employees were reduced throughout our operations and projects.

With the suspension of both the Main Pit cutback and Main West pit at Koolan Island, operations focused on the East-Barramundi and Mullet-Acacia pits and with the commencement of new medium term offtake

agreements production was increased and in June record production was achieved.

Also in June Mount Gibson entered into a formal Heritage Protection and Exploration Agreement with the Dambimangari Native Title Group. Under the terms of this agreement Mount Gibson will, with the traditional owners' support, explore Koolan Island's western iron ore targets. This area has some strongly developed hematite bearing ridges which are highly prospective.

Development and construction at Extension Hill was deferred for approximately 12 months during the second quarter again to reduce expenditure in deteriorating iron ore and financial markets. Mount Gibson continued exploration drilling however and will recommence development and project activity when confidence in the iron ore market returns and rail unloading infrastructure at the Geraldton Port is upgraded to cater for increased throughput from Extension Hill.

All these activities have helped the company consolidate its position though a volatile period whilst providing Mount Gibson with the opportunity to capitalise on improving market conditions. With cash reserves of A\$222.2 million at the end of June 2009 Mount Gibson has recommenced expansion plans for Koolan Island operations, consolidated production at Talling Peak and anticipates production from Extension Hill late in 2010, subject to sufficient rail unloading capacity at the Geraldton Port.

In addition arbitration proceedings are now underway between Mount Gibson and the company's defaulting customers. Mount Gibson is seeking to recover the loss and damage arising from the termination of the agreements and while there are counter claims we are confident that they are without merit. Arbitration is progressing however we do not anticipate final determination during 2009.

Although the iron ore market weakened significantly from August 2008 to February 2009 when the spot fines iron ore price for 63.5% Fe fell below the Hamersley Benchmark Price (HBMP), iron ore imports into China have since recovered resulting from the announcement by the Chinese Government of a substantial infrastructure stimulus package and the relaxation of credit restrictions in the Chinese economy. The global financial market has also moderated however both the financial market and iron ore markets remain volatile. Late in the financial year the spot fines iron ore price for 63.5% Fe rose above the HBMP for the first time in nine months with iron ore imports into China increasing significantly whilst steel production also increased.

Although there is some room for optimism for iron ore demand and pricing in the medium to long term, Mount Gibson remains cautious in the short term given the global economy is yet to recover which is an important driver of sustainability in the seaborne iron ore market.

The 2008/09 financial year has been arguably the most challenging experienced by Mount Gibson and the resources industry generally. When confronted with a number of serious factors largely outside Mount Gibson's control that threatened the company's viability, we moved quickly by introducing financial and operational mitigating strategies aimed at stabilising and consolidating Mount Gibson's future.

The commitment and hard work of the management team, coupled with the dedication of all operational staff under exceptionally adverse conditions stood Mount Gibson in good stead and more importantly positioned the company well under very trying circumstances. On behalf of the Board we offer our sincere thanks to all our loyal and dedicated staff.

Mount Gibson was also buoyed by the support received from shareholders. Having seen their

holdings follow a declining market it was reassuring that shareholders supported the financial and operational initiatives Mount Gibson put in place. Mount Gibson has seen a steady improvement in the company's share price since the second quarter whilst management and the Board continue to focus on achieving sustainable capital growth.

During the year Mount Gibson welcomed Mr Cao Zhong and Mr Chen Zhouping to the Board as non-executive directors. Mount Gibson also saw the appointment of Mr Robert Willcocks as alternate director for Mr Zhong. These appointments add considerable depth and experience to Mount Gibson's Board.

Mount Gibson is focused on being well placed to capitalise on changing market conditions and the opportunities they may provide. The strength of our balance sheet, the quality of our assets and just as importantly the tenacity and professionalism of all our employees position us well to deliver growth for our shareholders.



**Neil D. Hamilton**  
Chairman



**Luke Tonkin**  
Managing Director



# OPERATIONAL REVIEW

## TALLERING PEAK

Record shipments – up 5% on previous year

Record rail cartage – up 8% on previous year

Ore production 80% of target despite operation scale-back

Road haulage 83% of previous year

### TALLERING PEAK

Due to customers requesting shipment deferrals and/or failing to collect cargoes in accordance with binding iron ore purchase agreements early in the year, Talling Peak operations were scaled back during the December quarter.

As a result, annual production for the year fell short of the 3 million tonnes per annum (Mtpa) target, with a total of 2,388,000 tonnes produced. Pleasingly, mining operations ramped up in the second half of the year, with production approaching target rates by year end.

Early in the year, ore production continued around the previous year's levels, despite a planned maintenance shutdown of the crushing plant for nine days during July.

Rail haulage during the first quarter fell slightly below forecasts due to a level crossing collision between a bulk fuel road tanker and a train carrying Talling Peak ore to the Geraldton Port, with rail operations terminated for eight days. This also had an effect on rail capacity for a few months following the incident due to the resulting decrease in the availability of rolling stock.

Operations at the beginning of the year focused on the stripping of waste material from the T6A3 and T2 cutbacks, with the surface area of T6A3 more than doubling in the first three months. This focus on stripping waste was made possible by Talling Peak's significant ore stockpiles located at the Rivudini rail facility.

Sourcing of high grade ore continued, however, from T6A1, T6A2 and T2A cutbacks, and by September 2008 stockpiles were 1.7 million tonnes – only slightly less than at year end 2007/08.

Material movement was reduced by 25% during the second quarter, and strategies put in place to minimise cash expenditure without compromising ore production in response to the changing market environment and unfulfilled customer commitments. This included dividing the T6A3 cutback into two staged cutbacks (T6A3a and T6A3b).

Production during this period focused on pre-strip of the T6A3b cutback with high grade ore being sourced from the T6A1 and T6A2 cutbacks as required.

Scaling back of operations also necessitated the demobilisation of excess equipment engaged in the T6A3 cutback, with the resulting reduction of 40 employees. Mine operations were completely shut down for two weeks in December and existing ore stockpiles were drawn down.

Minor capital projects were suspended, and this – coupled with reduced site activity – successfully reduced mine expenditure significantly, while reduction in throughput requirements provided an opportunity for routine crusher maintenance.

While shipping rates in the first half of the year were down on previous levels, Talling Peak dispatched a record six shipments from Geraldton Port during December to existing and new customers.



## KOOLAN ISLAND

**Record annual ore production – up 16% on previous year**

**Annual sales – 93% on the previous year despite deferrals and offtake agreement termination**

**Annual material movement – up 38% on the previous year**

**Capital expenditure on Main Pit seawall, rehabilitation and dewatering suspended until July 2009**

**Finalisation of agreement with traditional owners allowing exploration of the Island's western end**

In the first quarter of calendar 2009, operations resumed as planned and ore sales increased by 43% over the previous quarter to record levels. Total material movement and ore production, however, were subdued by the staged ramp-up following the scale back in late 2008 and were similar to the previous quarter.

Production during this period significantly advanced the T62A cutback with high grade ore being sourced from T6A1, and crusher throughput increased to match scheduled high grade ore deliveries to blending stockpiles at the Mullewa railhead.

Tallering Peak achieved the major milestone of delivering its 10 millionth tonne by rail to the Geraldton Port during the March quarter, as part of a 57% increase in rail haulage levels over the previous quarter – to record levels.

The final quarter saw rail haulage and shipping continue at the record levels experienced the previous quarter, while both crusher throughput and material movement continued to increase. Production in this quarter continued to focus on the T6A2 cutback with high grade ore being sourced from T6A1 and T6A2.

### KOOLAN ISLAND

The first and final quarters of the year saw Koolan Island perform at targeted production rates despite iron ore customers either deferring shipments or failing to collect cargoes in accordance with binding iron ore purchase agreements which adversely impacted operations significantly in the second and third quarters.

Total production for 2008/09 achieved a record level of 3,524,000 tonnes. Final quarter production of a record 1,211,000 tonnes and 918,000 tonnes of iron ore sale augurs well for the future achievement for the capability of the Koolan Island operation.

The year commenced strongly with record crushing and shipping levels at Koolan Island in the first quarter, and a step-change in material movement compared to the last quarter of the previous year, to record levels.

A total of 4.3 million bank cubic metres (bcm) of material was mined from Main Pit and the

satellite pits during this period, with a further 0.23 million bcm mined from Blinker Hill which was used to advance construction of the seawall across Arbitration Cove.

In addition, cable bolting and meshing of the Main Pit footwall progressed, and Main Pit was dewatered to 10 metres below sea level.

During this period ore was mined from the lower levels of the Mullet Pit, while waste mining from the northern cutback continued as planned.

Operations were reviewed in the second quarter of the year in response to iron ore customers either deferring shipments or failing to collect cargoes in accordance with binding iron ore purchase agreements leading to rescheduling of mine development and deferral of major projects, including suspension of both seawall construction and rehabilitation of the Main Pit footwall. A number of contractors associated with these projects were consequently demobilised.

Rescheduling of pit operations required accelerated development of East/Barramundi and Mullet/Acacia Pits, while mining in Main Pit West was suspended.

The necessary reduction in mine activity coupled with a wetter than average monsoonal wet season saw production levels for the quarter fall by 32% compared to the previous quarter, with sales falling by 23%. In addition, tropical cyclone Billy dumped 200mm of rain on the island in December, resulting in a curtailment of mining.

In the latter part of 2008 and early 2009, East Pit progressed to levels below that of the remnant BHP pit floor, simplifying the operation and providing a source of high quality ore. Mining of the small Barramundi Limb deposit was completed, and the pit backfilled with East Pit waste material.

During this time, construction of the central warehousing facility was completed, allowing more efficient purchasing and enhancing logistical coordination of items transported to the island.





### ▲ EXTENSION HILL DIRECT SHIPPING ORE (DSO) PROJECT

All environmental approvals required to operate the Extension Hill Hematite Mine including the Hematite Transport Proposal have been received

Clearing permits granted

Resource definition drilling completed

Construction activity commenced

First ore shipments now expected in early 2011

Ore production and sales recovered in the third quarter, however material movement was impacted by increased tropical cyclone activity and associated rainfall.

The final quarter of the year saw drier weather, with production rates returning to previous levels. In its second full year of shipments, in the challenging market environment, it has been very pleasing to record 38 shipments from Koolan Island during 2008/09, just short of the 40 shipments dispatched the previous year.

Late in the year, the final design ramp into Mullet Pit was developed, allowing temporary access ramps to be removed. Similarly in East Pit, the final ramp into the pit was established, allowing a more direct haulage route for ore and waste material.

The record ore production achieved in the final quarter was largely sourced from Eastern Pit which progressed below the original BHP pit floor and exposed the central ore zone reducing the pit stripping ratio. The upper benches of Barramundi West pit were mined while the backfilling of the Barramundi Limb was completed.

No mining activity occurred in Main Pit during the last quarter however preparations were completed for recommencement of mine development early in the new financial year when seawall construction, footwall rehabilitation and Main Pit dewatering are scheduled to resume.

### EXTENSION HILL

As for Mount Gibson's operating mines, the failure of customers to collect iron ore cargoes combined with lower demand resulted in suspension of all works associated with the Extension Hill project during the December quarter. The company tentatively scheduled a 12-month suspension, with market conditions and infrastructure provision at the Geraldton Port ultimately dictating the timing of moving Extension Hill towards production.

The project, however, reached a number of regulatory submission and approval milestones during the year – including State and Federal Government approval of environmental management plans, and State Government approval to recommence resource definition drilling and realign the Great Northern Highway.

Pleasing drilling results were returned from infill resource drilling during the year, indicating that high grade mineralisation extends further to the north than previously interpreted.

Delivery of a number of infrastructure and operational items continued through the year, requiring leasing of additional facilities to store some of these items until project work recommences. Items delivered included construction materials for the accommodation camp and office, communication equipment and rail wagons.

**TALLERING PEAK**

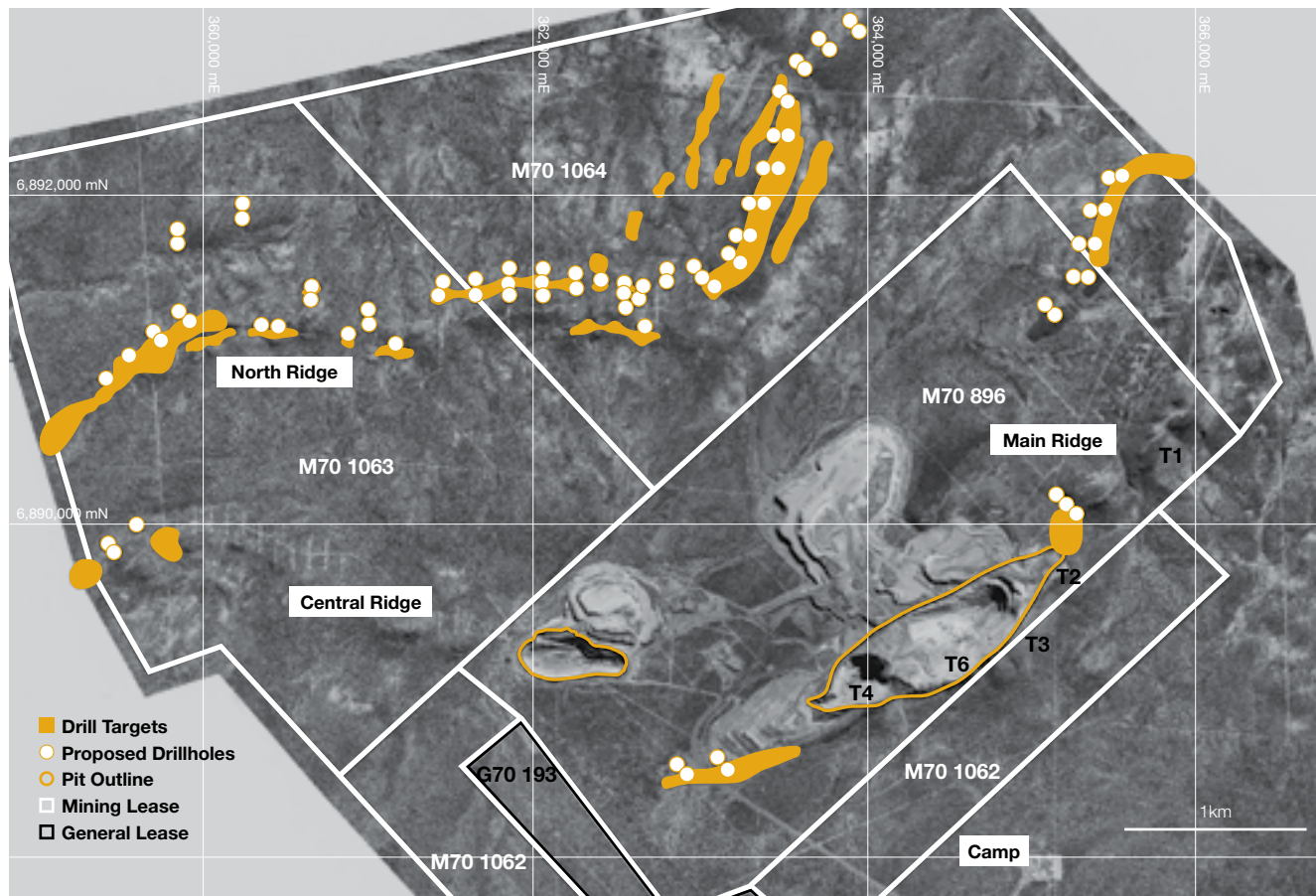
The mine leases at Tallingering Peak cover three distinct Banded Iron Formation (BIF) ridges, two of which host the current mining operations at T5 and T6. A detailed ground based gravity survey was conducted in early 2008 covering the third, poorly drilled North Ridge. This survey identified a number of significant anomalies, including several strong, linear gravity highs with coincident low level magnetic anomalies, suggestive of hematite alteration zones in magnetite BIF horizons. These are similar to what would be expected over a buried deposit of the same type and size as the main T6 deposit.

A drilling program of up to 91 reverse circulation drill holes has been designed to test a range of the gravity and gravity/magnetic anomalies. Heritage and environmental approvals have now been granted and drilling is expected to commence in the December 2009 quarter.

An infill resource drilling program is also planned for the T1 deposit, located on the Main Ridge, east of T6. Heritage clearances are yet to be finalised over this area.

# EXPLORATION

Plan of Tallingering Peak showing mining operations and gravity anomalies



## ▲ KOOLAN ISLAND

At Koolan Island reverse circulation (RC) drilling has continued throughout the year, with the aim of completing the infill resource definition drilling within the currently mined satellite orebodies. This drilling has taken the average drill hole ore intersection spacing to approximately 25m by 25m and has provided the framework for detailed 3D orebody modelling and the provision of new and significantly improved resource models for mine planning and reconciliation purposes.

During the year 446 holes were drilled for 33,720m. Drilling was completed at Eastern-Barramundi and at Mullet-Acacia, and is close to completion at Main West.

Additional resource drilling is required in Main Pit, to allow the conversion of the remaining Inferred Resource to Reserves. Ongoing drilling activities will then focus on exploration targets at Acacia East, Mangrove, Mackerel and Koolan West.

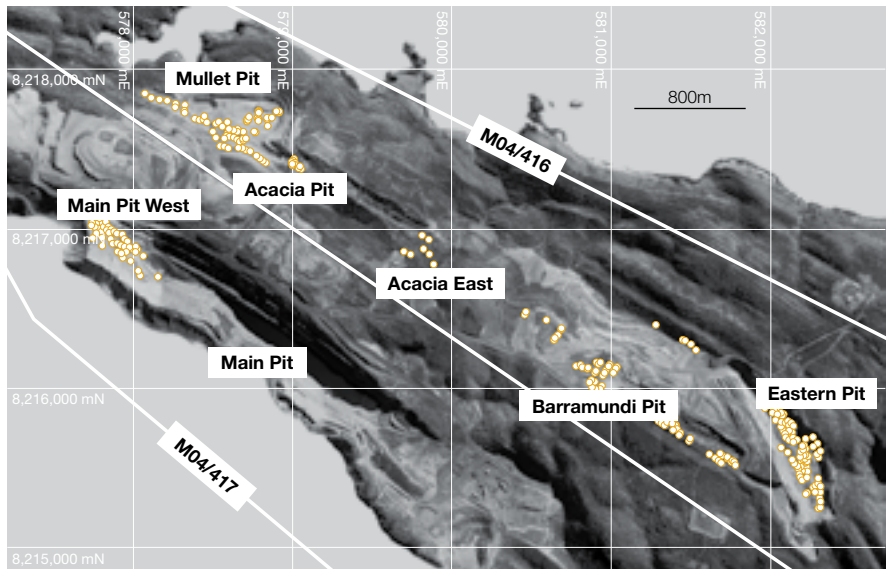
An agreement was finalised with the Dambimangari Native Title Claimants to explore the western end of Koolan Island (Koolan West) covered by Exploration Licence E04/1266. An exploration program has been planned and the process of heritage clearance has been commenced. The area is known to contain outcrops of high grade hematite

that could be extensions of the mineralised horizons currently being mined.

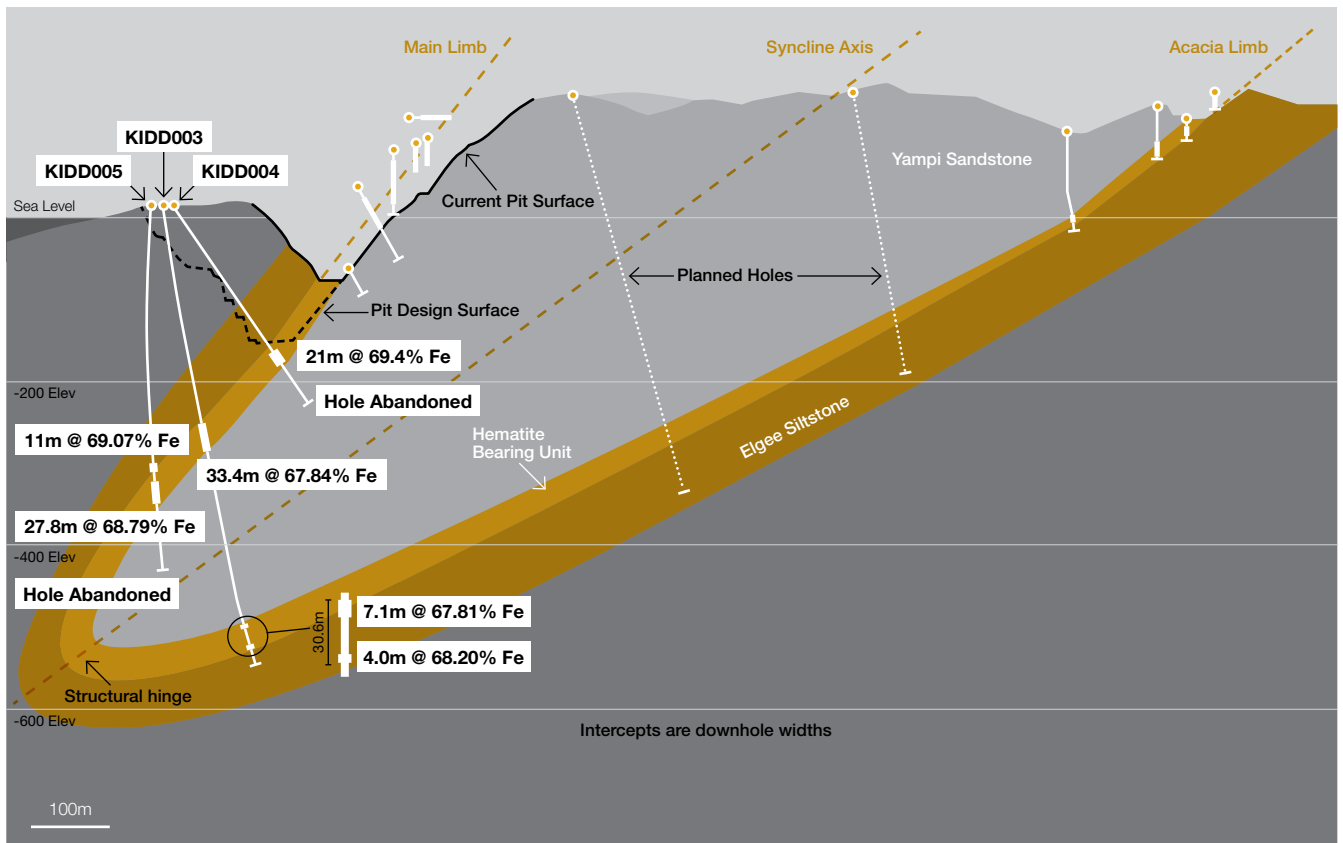
In early 2008 two deep diamond holes were drilled at Main Pit to test the extent of the thick, high grade hematite mineralisation beneath the final Main Pit and the potential for the continuation of this mineralisation around a major synformal fold axis and along the down dip extension of the Acacia orebody, known as the Acacia limb.

Three additional diamond holes were subsequently drilled before the program was suspended in October 2008. Results were mixed due to poor core recovery and drilling difficulties, principally due to the friable nature of the mineralisation. The intersections all demonstrate the mineralisation continues at significant thicknesses and very high grades, providing an outstanding exploration target with a large resource potential.

**Plan of Koolan Island showing drill holes completed during the year**



**Section 2200E showing diamond drill hole intersections on the Main Pit and Acacia Limb mineralised horizons**



## EXTENSION HILL

Following the granting of environmental and other statutory approvals reverse circulation infill and extension resource drilling commenced at Extension Hill in late November 2008 and was completed in early April 2009. A total of 492 holes were drilled for 20,909m. The program was originally planned after the 2007 Definitive Feasibility Study showed that infill drilling was required to improve confidence in the resource and allow detailed mine planning to extend the resource into poorly drilled areas and define mineralisation limits. Further drilling also allowed modelling of material types for metallurgical purposes.

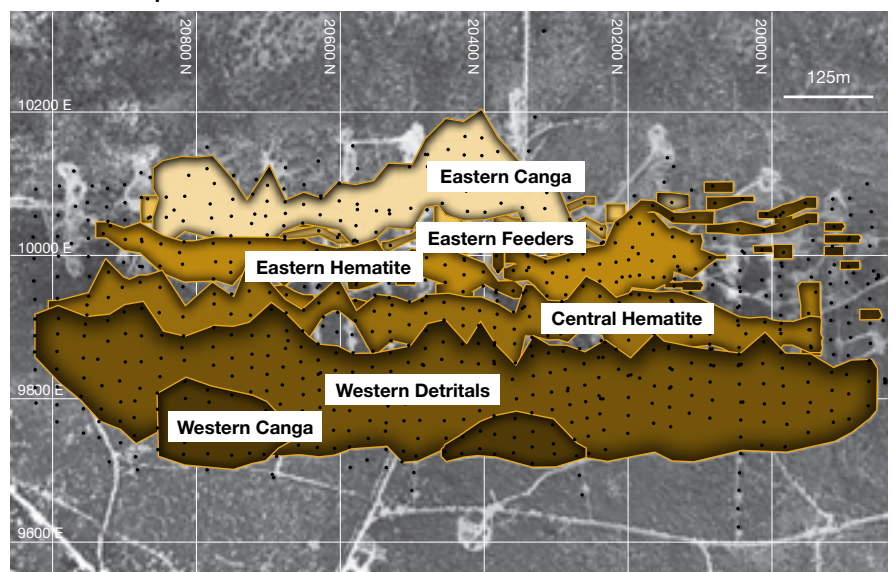
By the end of the year all results had been returned and detailed interpretation and 3D modelling of the orebody was completed. In addition to assays downhole geophysics (density, magnetic susceptibility and gryoscopic directional surveys) were undertaken where possible.

The mineralisation is dominated by a relatively high grade central core of hematite that appears to be the result of oxidation and other chemical activity on the primary magnetite mineralisation that underlies the deposit. Some of the hematite occurs as narrow "feeders" that can merge to form wide, high grade ore zones. Within the top 10m below the surface more recent weathering processes resulted in alteration to goethite and limonite dominated mineralisation.

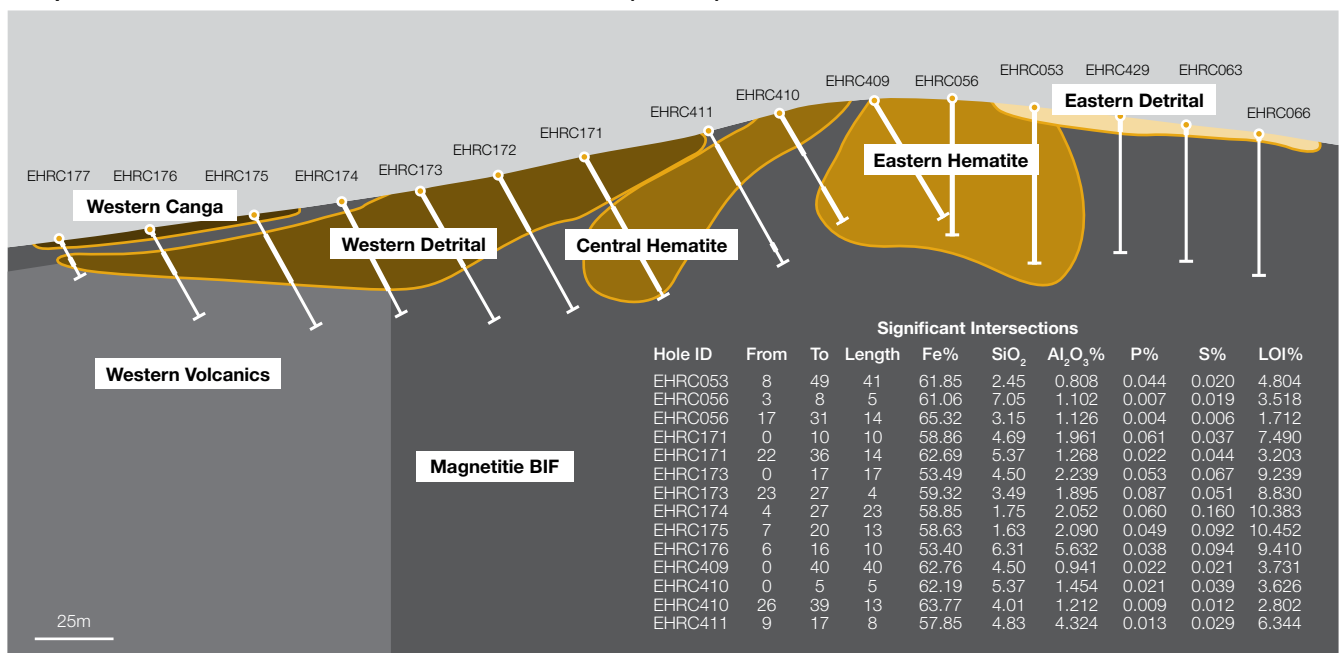
On the western flank a thick, broad sub-horizontal zone of re-cemented and lateritised detrital goethite dominated mineralisation reflects an ancient paleosurface and suggests significantly steeper topography than present today. On both flanks, thin low grade canga style mineralisation outcrops variably over the surface.

The main high grade hematite mineralisation shows strong along strike (north-south) continuity and demonstrates a highly variable morphology and grade distribution, with rapid pinching and swelling and some minor cross-faulting.

**Extension Hill plan view of mineralisation**



**Interpreted cross section of the Extension Hill mineralisation (20705 N)**





# SUSTAINABILITY

Mount Gibson is committed to the principles and practices of good corporate and environmental citizenship.

Our development of strong partnerships with local communities, governments and businesses aids development of essential infrastructure and provides public benefit for all the community.

## ENVIRONMENT

Responsible environmental practices are essential to the company's operational and financial performance and to the sustainability of the mining industry in general. Mount Gibson employs pragmatic and appropriate industry practices to ensure that the natural environment is protected and responsibly managed, in areas where it operates.

A strong commitment to credible environmental management is a key driver for the company. Mount Gibson invests considerably in a range of environmental activities including significant ongoing research into minimising the impact of our operations, encompassing mining, processing and ore transport.

In addition to our ongoing environmental management activities Mount Gibson achieved a number of significant environmental outcomes at our three projects during the year.

### TALLERING PEAK

Regulatory approvals for Talling Peak during the year focused on the T6B Stage 2 pit expansion.

Approval was granted in November 2008 for the relocation of the tyre storage area, go line, and the expansion of the store yard, steel laydown area and T4 access causeway.

The Mining Proposal and Clearing Permit were submitted in October 2007, with the Clearing Permit approved in May 2009 and the Mining Proposal expected early in the new year – the final approval required for the Main Range pits.

Rehabilitation of waste dumps and other areas continued throughout the year, with rehabilitation earthworks totalling 16.5 hectares completed on T5 and T6 waste dumps. This included contouring of batters to approximately 18 degrees and spreading of topsoil to a nominal depth of 200 millimetres.

Landscape Function Analysis was employed to monitor rehabilitation of the T4 waste dump, providing data which will allow an objective measure of the progress of rehabilitation by analysing various plant and soil characteristics.

Water efficiency activities revolved around dust suppression and the use of POLO BDS, a biodegradable product being used in the crusher area. The use of this product can significantly reduce the volume of water used to control dust by coating and binding of dust particles.

Talling Peak's focus on recycling continued over the past 12 months, including the removal of 115 tonnes of scrap metal by a licensed scrap metal merchant. Ongoing scrap metal is now routinely placed in designated bins and collected by recyclers.

Printer cartridges are recycled via Planet Ark's "Close the Loop" recycling initiative, while batteries are collected and dispatched as part of Cleanaway's Battery Recycling Program.

### KOOLAN ISLAND

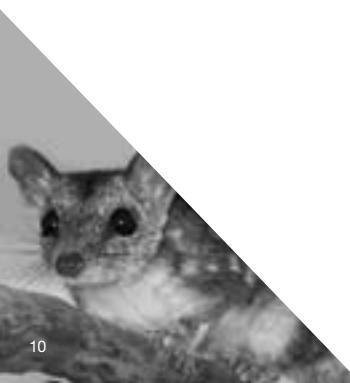
The key environmental focus at Koolan Island over the past 12 months has been on bedding in and auditing the environmental processes and systems on the island.

Four Management plans were updated – Marine, Closure, Northern Quoll and Quarantine Management – and system audits were implemented. External audits were also conducted by the Department of Environment and Conservation (DEC) and the Department of Mines and Petroleum.

The marine environment has been a key area with ongoing quarterly monitoring of sea water quality and benthic habitat, with all values being relatively low compared with levels expected to harm coral communities. The DEC were informed of these levels and of the 49 sites inspected for benthic habitat, all were recorded as being in good condition.

Whale monitoring occurred on a regular basis during the mating season and during two key surveys. The second survey identified 24 Northern Humpback whales, of which nine were young.

Prior to dewatering the Main Pit, two key surveys were conducted to assess the ecology that had developed in the pit in the 15 years it has been connected to the ocean. Habitat, fish species and diversity, and coral communities were all assessed with the





intention of identifying techniques to promote the re-establishment of these communities following completion of mining operations.

There were 98 coral species identified, with many other reef inhabitants observed such as giant clams, encrusting oysters and other bivalves, decapod crustaceans, sponges and octopi.

During the latter part of 2008, three million cubic metres of seawater was pumped out of Main Pit and into the ocean, and daily monitoring of Total Suspended Solids (TSS) during pumping confirmed compliance with monitoring conditions.

Land based flora and fauna were also a focus of Koolan Island's environmental management programs for the year, with pre-clearance flora and fauna surveys conducted across the areas proposed for clearing.

During these surveys, 74 fauna species and 171 flora taxa were noted – 48 of which had not previously been identified on the island. A priority three flora species, *Phyllanthus aridus*, was identified, and an area where the species has a particularly dense population was excised from a mine waste disposal area to assist in its preservation.

The annual monitoring of the Northern Quoll, *Dasyurus hallucatus*, captured 161 quolls – 83 new captures and 78 recaptures – indicating no significant variance in trapping rates over the past four years.

Koolan Island is seen as a refuge for the Northern Quoll, which has dwindling populations across northern Australia. The update of the island's Quarantine Management Plan and associated procedures has resulted in an improvement in protecting the quoll from the Cane Toad, and safeguarding its habitat from rats. Training programs have also improved bush fire control and snake handling.

Koolan Island's Environmental Management Plan and Environmental Management System are currently under review, and revision.

### EXTENSION HILL

Even during its suspension, future development of the Extension Hill project has continued to require the company's commitment to significant environmental research and to meeting increasingly onerous environmental conditions.

Department of Environment and Conservation (DEC) approval was received for the Extension Hill Hematite Haulage Assessment on Referral Information (ARI) (Ministerial Statement 786) and DEC works approval received for ore beneficiation, sewage and landfill facilities. DEC approval of the Environmental Management Plan was received in August 2008 while the Federal Government's Department of Environment, Water, Heritage and the Arts (DEWHA) approval of Malleefowl Management Plan and *Darwinia masonii* Management Plan was received in October 2008.

Seed collection activities (including collection from the Declared Rare Flora species, *Darwinia masonii*) were conducted throughout the year to build upon our existing seed store for future rehabilitation activities.

A survey of known Malleefowl mounds was conducted to assess the status of the breeding population of Malleefowl and a survey was completed for the Shield Back Trapdoor Spider to ensure impact on this species is minimised or avoided where possible. The Shield Back Trapdoor Spider was not identified during the survey.

Botanic Gardens and Parks Authority continued ongoing research work for the species *Darwinia masonii* and *Lepidosperma gibsonii* and Stygofauna sampling was conducted in four future groundwater production bores and one groundwater monitoring bore with no Stygofauna present.

### Kings Park and Botanic Gardens Research Project

As part of satisfying Environmental Protection Authority concerns relating to two nationally significant rare species occurring in the vicinity of Extension Hill, Mount Gibson has continued to sponsor a research project undertaken by a leading conservation research team at Kings Park and Botanic Garden.

Now in its third year, the research project is developing a leading practice approach to the conservation and restoration of a rare mountain bell, *Darwinia masonii*, and the Mount Gibson sedge, *Lepidosperma gibsonii* and has already established world-class outcomes.

Specimen capture undertaken by Mount Gibson and Kings Park staff in late 2008 has resulted in a viable regeneration and propagation program managed at the "Nuts about Natives Nursery" in Capel, Western Australia.

Currently, 484 *Darwinia masonii* plants and 904 *Lepidosperma gibsonii* are growing safely and are available for further propagation.

PhD and honours students from the University of Western Australia have commenced or completed academic studies into the two rare species, including ecology and restoration, water use efficiency, and survival, growth and health on a range of restoration treatments.

The Kings Park research group continues to undertake wide-ranging and varied study of the species, from seed germination and viability studies to the mapping of root distributions – both at the Extension Hill mine site and at Kings Park's research facilities.

Some of the research projects have been delayed or downscaled due to the requirement of mining activities on site to facilitate them, however these will resume when mining commences – currently expected to be during 2010.

### COMPLIANCE

No material environmental incidents were reported during the year for Tallering Peak, Extension Hill or Koolan Island.



## HEALTH AND SAFETY

Safety management is a critical element of everything Mount Gibson's employees and contractors undertake. The health and safety of our employees is a core value of Mount Gibson.

The safety of all our people and contractors is fundamental to all our activities.

Our commitment to this is supported by the company's Safety Management System incorporating Safety Management Standards which provide a framework aligned to the requirements of Australian Standards 4801 and 4804.

Mount Gibson's objective is to achieve zero harm within our work environment. The company continues to work closely with our employees and contractors in delivering this goal.

Pleasingly, Mount Gibson has continued to improve on the lagging safety performance indicator of LTIFR which improved 35% on the corresponding period last year.

Just as pleasing has been:

- an increase in safety management and advisory resources;
- the methodical implementation of Mount Gibson's safety management system;
- the clear identification of risks and their management;
- full compliance with workplace management and employee inspections;
- commitment to training in the areas of:
  - risk assessment and investigation;
  - behavioural change;
  - operator training and competency assessment;
  - ERT - CMT; and
- strict compliance with Mount Gibson's fitness for work policy.

While significant health and safety improvements have been delivered, Mount Gibson will continue to reinforce the workplace changes that have driven these improvements, to ensure the journey to zero harm is sustained.

### TALLERING PEAK

At Talling Peak, two major safety audits were completed – a whole-of-site Risk Assessment and an audit of the site's Safety Management System against the industry standard.

A program of specific health promotion themes were completed during 2008/09, with topics covering heat and hydration, injury prevention, mental health, drugs and alcohol, heart health and nutrition. Several health initiatives and challenges were run in conjunction with these themes, including a Quit Smoking program, a Biggest Loser weight-loss initiative, a Walk to Work challenge, individual cholesterol checks and blood pressure monitoring.

Mount Gibson continued to offer the services of a Health and Wellness Consultant at Talling Peak, providing individualised exercise programs and health checks as well as weekly group fitness and gym circuit classes. In addition, flu vaccinations and skin cancer screening programs were conducted, while regular first aid training continued.

Various site-specific training packages were developed and implemented during the year, covering confined space, safe work at heights, risk assessment, job safety analysis and Take 5 - which is a personalised hazard identification and risk assessment tool. Incident Management training was undertaken on-site for managers and supervisors, while regular training was conducted for the Emergency Response Team.

### KOOLAN ISLAND

Koolan Island's health and safety strategy during the year focused on implementation of Mount Gibson's Environment, Health and Safety (EHS) Management System. The methodical implementation of Mount Gibson's EHS Management System combined with the disciplined site leadership and commitment has contributed to an 84% reduction in Koolan Island's 12 MMA LTIFR to 0.9, which is approximately half the average frequency rate within the Western Australian iron ore industry.

The operation also recorded a number of other significant health and safety achievements during the year, including improvement in medical services and resources, and review of all site emergency plans.

The company also purchased a purpose-built fire truck, expanding the site's fleet of emergency vehicles and emergency response capability.

Ongoing training enhanced skills and resources in the areas of emergency response, cyclone preparedness, risk assessment, working at heights, elevating work platforms and confined space.

## COMMUNITY

Mount Gibson operates in diverse communities in Western Australia's West Kimberley and Mid West regions. The company is committed to the principles and practices of good corporate citizenship and our community initiatives reflect our commitment to social responsibility in these communities.

This includes providing local employment opportunities with a particular emphasis on indigenous employment and training, purchasing locally where practicable and undertaking ongoing stakeholder consultation.

The company continues to support the local community in the vicinity of its Tallering Peak operation, by annual contributions to the Mullewa Community Trust – a fund established by Mount Gibson in conjunction with Mullewa Shire Council for the public benefit of the Shire's citizens.

Mount Gibson's strong links with the traditional owners throughout all its sites are formalised through agreements that clearly describe the mutual obligations of Mount Gibson and the traditional indigenous owners.

At Tallering Peak, the company continues to work closely with both the Mullewa Wadjari and Wajarri Elders, and has established funds to assist the advancement of aboriginal law and culture, and the training and education of local indigenous people.

The Co-Existence Deed, established between Mount Gibson and the Dambimangari people from the West Kimberley, continues to ensure that Mount Gibson is aware of the

Dambimangari's cultural and spiritual needs as part of its Koolan Island operations.

One of the requirements of the Deed was the employment of 10% Aboriginal people at the island by the second year of commercial production, and this goal has been achieved. The Co-Existence Committee are now working towards 20% Aboriginal employment by the end of the fourth year.

Late in the year, relations with the Dambimangari were further strengthened by the finalisation of a formal Heritage Protection and Exploration Agreement between Mount Gibson and the Dambimangari Native Title Group, in relation to Koolan Island's western iron ore targets.

The Agreement establishes a road map facilitating the exploration of Koolan Island's largely unexplored western end where strongly developed hematite bearing ridges are known to occur. Such exploration may potentially unlock further iron ore discoveries, benefiting both Mount Gibson and the traditional owners.

A similar agreement is currently being considered for the mainland immediately south of Koolan Island.

The company also sponsored a wide range of community, sporting and cultural events, organisations and programs in the Mid West and Kimberley regions during the year, such as the Mullewa Football Club, the Kimberley Art Prize and support of an indigenous student through the Wajarri Elders Tertiary Scholarship.





## LOCAL COMMUNITY SUPPORT - DERBY

As part of its wider ranging community initiatives Mount Gibson is committed to supporting local businesses where possible. During the year, the company made significant contributions to the Derby community – the mainland town closest to Koolan Island.

### DERBY REGIONAL HOSPITAL

As part of its Indigenous Job Ready Program, Mount Gibson is committed to providing long-term employment and training opportunities for indigenous people in the communities in which we operate.

This has seen the company develop partnerships, particularly with the Derby community, with innovative solutions targeted towards providing jobs for long-term unemployed indigenous people and youth.

Working in partnership with the Derby Regional Hospital, Mount Gibson's job ready program has seen a number of local indigenous people commence work in a range of training roles in the hospital. Funded by Mount Gibson, these roles have been created specifically to support hospital staff. The idea for this program arose from the discussions the company held with the hospital when negotiating laundry services for Koolan Island.

The success of the program relies on hospital staff providing mentoring to the trainees in areas including administration, physiotherapy support, aboriginal community liaison and trades.

As a result of this partnership, several trainees have transitioned to full-time employment both within the hospital and with other employers. Another of the trainees has been taken on by the hospital as an apprentice carpenter. This ongoing program is providing real job ready opportunities for local indigenous people and the support of the Derby Health Services has been a key to its success.



## LAUNDRY SERVICES

Historically Koolan Island cleaned site linen on site, utilising the services of the village contractor.

As a result of informal discussions with the Shire of West Kimberley the company learned that the industrial laundry at the Derby District Hospital had excess capacity.

Following extended negotiations between Mount Gibson, the hospital's administration and the Health Department of Western Australia, agreement was reached for the hospital to provide industrial laundry services for Koolan's operations on a commercial basis. This has seen an additional four jobs created as the laundry now cleans an additional two tonnes of linen each week.



## DWA INDUSTRIAL RESOURCES

DWA Industrial Resources is a fabricating and engineering company based in Derby, providing services throughout the Kimberley. DWA has been a supplier to Mount Gibson's Koolan operations for a number of years. This has included drill sharpening for exploration drill bits used on the island.

DWA in partnership with Mount Gibson have developed a job ready program, based around the drill sharpening work, for local indigenous youth to gain work and life skills which will help them transition to long-term employment with Mount Gibson. The program provides on-the-job training and accommodates cultural differences as the trainees move from a workshop based environment to broader employment opportunities.


This partnership's success has relied on the support from DWA and their commitment to working with Mount Gibson in achieving indigenous employment success.


These job ready partnerships are key to Mount Gibson's indigenous employment objectives under the Co-Existence Deed with the Dambimangari people.




# RESOURCES & RESERVES

As at 30 June 2009

 <b>KOOLAN ISLAND</b>					
	<b>Tonnes</b>	<b>Fe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>P</b>
	millions	%	%	%	%
<b>Mineral Resources, above 50% Fe</b>					
Measured	7.02	60.8	7.19	1.92	0.024
Indicated	43.5	63.2	8.07	0.770	0.016
Inferred	17.3	62.6	8.45	0.868	0.017
<b>Total</b>	<b>67.7</b>	<b>62.8</b>	<b>8.26</b>	<b>0.981</b>	<b>0.018</b>
<b>Ore Reserves</b>					
Proved	4.28	62.0	7.53	2.29	0.030
Probable	25.9	64.1	5.90	0.80	0.015
<b>Total</b>	<b>30.2</b>	<b>63.8</b>	<b>6.13</b>	<b>1.01</b>	<b>0.017</b>

 <b>TALLERING PEAK</b>					
	<b>Tonnes</b>	<b>Fe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>P</b>
	millions	%	%	%	%
<b>Mineral Resources, above 50% Fe</b>					
Measured	10.0	63.3	3.96	2.06	0.028
Indicated	3.61	59.5	7.21	2.92	0.055
Inferred	1.25	56.3	11.2	4.63	0.061
<b>Total</b>	<b>14.9</b>	<b>61.8</b>	<b>5.35</b>	<b>2.48</b>	<b>0.037</b>
<b>Ore Reserves</b>					
Proved	9.8	62.6	4.49	2.23	0.027
Probable	2.48	58.5	7.66	3.46	0.030
<b>Total</b>	<b>12.2</b>	<b>61.8</b>	<b>4.59</b>	<b>2.25</b>	<b>0.027</b>

 <b>EXTENSION HILL</b>					
	<b>Tonnes</b>	<b>Fe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>P</b>
	millions	%	%	%	%
<b>Mineral Resources, above 50% Fe</b>					
Measured	13.8	58.1	6.77	2.15	0.062
Indicated	5.84	58.3	9.91	1.29	0.057
Inferred	2.51	61.7	5.33	1.52	0.061
<b>Total</b>	<b>22.1</b>	<b>58.6</b>	<b>7.43</b>	<b>1.85</b>	<b>0.061</b>
<b>Ore Reserves</b>					
Proved	10.6	59.2	5.66	1.95	0.064
Probable	3.66	59.3	8.48	1.27	0.058
<b>Total</b>	<b>14.3</b>	<b>59.2</b>	<b>6.38</b>	<b>1.77</b>	<b>0.063</b>

<b>Total Mineral Resources</b>					
	<b>104.7</b>	<b>61.8</b>	<b>7.67</b>	<b>1.38</b>	<b>0.030</b>
<b>Total Ore Reserves</b>					
	<b>56.7</b>	<b>62.2</b>	<b>5.86</b>	<b>1.47</b>	<b>0.031</b>

NOTE: All estimates quoted to three significant figures. Rounding errors may occur.

The information in this report relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears. The information in this report relating to Mining Reserves is based on information compiled by Rolf Forster and Weifeng Li, who are both members of the Australasian Institute of Mining and Metallurgy. Rolf Forster and Weifeng Li are consultants to Mount Gibson Mining Limited, and have sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to each qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster and Weifeng Li have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

# FINANCIAL REPORT

**Contents**

Directors' Report	18
Auditor's Independence Declaration	33
Consolidated Income Statement	34
Consolidated Balance Sheet	35
Consolidated Cash Flow Statement	36
Consolidated Statement of Changes in Equity	37
Notes to the Consolidated Financial Report	39
Directors' Declaration	80
Independent Audit Report	81
Corporate Governance Statement	83
ASX and Additional Information	86

## DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2009 for Mount Gibson Iron Limited (“**Company**” or “**Mount Gibson**”) and the consolidated entity incorporating the entities that it controlled during the financial year (“**Consolidated Entity**”).

### DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

#### Names, Qualifications, Experience and Special Responsibilities

##### **Neil Hamilton** LLB, AICD *Chairman, Independent Non-Executive Director*

Mr Hamilton was appointed as the Non-Executive Chairman on 24 April 2007. Mr Hamilton is a lawyer with more than 23 years experience as a director of public companies. Mr Hamilton is the Chairman of the Nomination, Remuneration and Governance Committee of the Company and has overall responsibility for Corporate Governance. Mr Hamilton is the Chairman of IRESS Market Technology Limited and Northern Iron Limited and Non-Executive Director of Metcash Limited. During the past three years Mr Hamilton served as a director of Integrated Group Limited, Programmed Maintenance Services Limited and Insurance Australia Limited.

##### **Luke Tonkin** B.E., MAusIMM, AICD *Managing Director*

Mr Tonkin was appointed as the Managing Director on 25 October 2005. Mr Tonkin has extensive experience in the resource industry traversing multi-commodities of gold, nickel, tantalum, tin and lithium. He has held General Management roles within some of Australia's largest, more complex operations namely WMC's Kambalda Nickel Operations, St Ives Gold Operations and Leinster Nickel Operations. Mr Tonkin's most recent role was Chief Executive Officer of Sons of Gwalia, the world's largest tantalum producer and third largest Australian listed gold producer, assisting administrators restructure the Company. Mr Tonkin has a proven track record of implementing large-scale investment, divestment, transition and integration plans. During the past three years Mr Tonkin has not served as a director of any other listed companies.

##### **Craig Readhead** B. Juris, LL.B, AICD *Independent Non-Executive Director*

Mr Readhead was appointed as a Non-Executive Director on 21 December 2001. Mr Readhead has spent the last 30 years practising in the resources law area and is a partner of law firm Allion Legal (formerly called Pullinger Readhead). Mr Readhead is a member of the Nomination, Remuneration and Governance Committee and the Audit and Risk Management Committee. Mr Readhead has had a significant legal role in the development of a number of mining projects within Australia, Africa and South East Asia. He is Chairman of Heron Resources Ltd and Galaxy Resources Ltd and is a Non-Executive Director of Frankland River Olive Company Limited and India Resources Ltd, and is past President of the Australian Mining and Petroleum Law Association, and past Vice-President of the Association of Mining and Exploration Companies. During the past three years Mr Readhead has also served as Chairman of Nickelore Limited and Agincourt Resources Ltd.

##### **Ian Macliver** B.Comm, CA, F Fin, AICD *Independent Non-Executive Director*

Mr Macliver was appointed as a Non-Executive Director on 21 December 2001. Mr Macliver is Managing Director of Grange Consulting Group Pty Ltd, which provide specialist corporate advisory services to both listed and unlisted companies. Mr Macliver is Chairman of the Audit and Risk Management Committee and a member of the Nomination, Remuneration and Governance Committee. He has many years experience as a senior executive and director of both resource and industrial companies with particular responsibility for capital raising and other corporate initiatives. Mr Macliver is Chairman of Stratatel Ltd and is a Non-Executive Director of Port Bouvard Ltd, Empire Beer Group Ltd and Otto Energy Ltd. During the past three years Mr Macliver has also served as a director of BioProspect Ltd.

##### **Alan Jones** CA *Non-Executive Director*

Mr Jones was appointed as a Non-Executive Director on 28 July 2006. Mr Jones is a chartered accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Ltd, Sun Hung Kai & Co Ltd (Hong Kong), Allied Group Ltd (Hong Kong), Allied Properties Ltd (Hong Kong), APAC Resources Limited and IFC Capital Limited. During the past three years Mr Jones has not served as a director of any other listed companies.

##### **Cao Zhong** M.Eng, M.Econ *Non-Executive Director*

Mr Cao was appointed as a Non-Executive Director on 1 December 2008. Mr Cao is Chairman and Executive Director of APAC. He graduated from Zhejiang University, the People's Republic of China and Graduate School, The Chinese Academy of Social Sciences, with a Master Degree in Engineering and a Master Degree in Economics. Mr Cao has extensive experience in corporate management and operations. Mr Cao is Assistant General Manager of Shougang Corporation and the Managing Director of Shougang Concord International Enterprises Company Limited. He also holds a number of other roles in the Shougang Corporation group including Chairman of China Shougang International Trade and Engineering Corporation and Deputy Chairman and General Manager of Shougang Holding (Hong Kong) Limited, the controlling shareholder of Shougang Concord. He is also the Chairman of each of Shougang Concord Technology Holdings Limited, Shougang Concord Century Holdings Limited and Fushan International Energy Group Limited and the Vice Chairman and Managing Director of Shougang Concord Grand (Group) Limited. During the past three years, Mr Cao has also served as the Chairman of Global Digital Creations Holdings Limited.

##### **Chen Zhouping** CPA *Non-Executive Director*

Mr Chen was appointed as a Non-Executive Director on 19 January 2009. Mr Chen is a graduate from the School of Economics and Management, Beijing Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. He has extensive experience in the steel industry, engineering design, human resources and management. Mr Chen was appointed as Deputy Managing Director of Shougang Concord International Enterprises Company Limited in November 2002. He is also the Deputy Managing Director of Shougang Holding (Hong Kong) Limited and a non-executive director of Fushan International Energy Group Limited (a Hong Kong listed company). He is a director of a number of other companies of which Shougang Holding or Shougang Concord is the holding company. During the past three years Mr Chen has not served as a director of any other listed companies.

**Alan Rule** B.Comm, B.Acc, CA, MAICD *Alternate Director to Luke Tonkin, Chief Financial Officer*

Mr Rule was appointed Finance Director of the Company on 1 July 2005 and resigned as Finance Director on 30 June 2007 to become Chief Financial Officer of the Company. Mr Rule is the alternate director to Mr Tonkin. He is a chartered accountant with extensive experience in the mining industry in Australia. He held the position of Chief Financial Officer of Western Metals Limited and more recently St Barbara Mines Limited. He has considerable experience in international financing of mining projects and implementation of accounting controls and systems. Mr Rule was previously Finance Director of Asia Iron Holdings Limited. During the past three years, Mr Rule has also served as a Non-Executive Director of Resource Mining Corporation Limited.

**Robert Willcocks** B.Arts, B.Law, M.Law *Alternate Director to Cao Zhong*

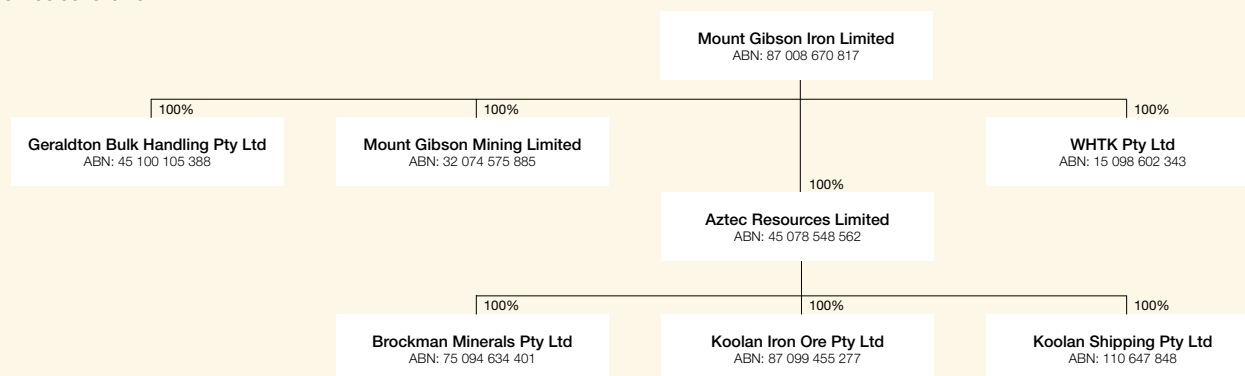
Mr Willcocks was appointed Alternate Director on 22 December 2008. From 1980 to 1994, Mr. Willcocks was a partner of the Australian law firm Mallesons Stephen Jaques. From 1993 to 1996, Mr. Willcocks was appointed by the Australian Government to the Australian International Legal Co-operation Committee. Since 1994, he has been a corporate advisor. He has been an advisor to companies in the resources industry for almost 30 years and is a representative of a leading global private equity firm. Mr Willcocks is a Non-Executive Director of CBH Resources Limited, Arc Exploration Limited, Ban-Pu Australia Pty Ltd, Oakbridge Pty Ltd, Emperor Mines Limited, Energy World Corporation Limited and eStar Online Trading Limited. During the past three years, Mr Willcocks has also served as a Non-Executive Director of Emperor Mines Limited and RIM Capital Limited.

**COMPANY SECRETARY****David Berg** B.Com, LLB

Mr Berg was appointed Company Secretary & General Counsel on 21 August 2008 replacing Angela Dent. He is a commercial lawyer with over nine years experience, with the majority of this time having been spent working in the Perth offices of two national law firms. Immediately prior to joining Mount Gibson, Mr Berg was Legal Counsel at a significant private group of companies where he provided in house legal advice on a diverse range of issues.

**CORPORATE INFORMATION****Corporate Structure**

Mount Gibson Iron Limited is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The structure of the Consolidated Entity as at 30 June 2009 was as follows:

**Nature of Operations and Principal Activities**

The principal activities of the entities within the Consolidated Entity are:

- mining of hematite deposits at Talling Peak;
- mining of hematite deposits at Koolan Island;
- construction and development of hematite mining operations at Extension Hill; and
- exploration and development of hematite deposits at Koolan Island and in the Mid-West region of Western Australia.

**Employees**

The Consolidated Entity employed 275 employees (excluding contractors) as at 30 June 2009 (2008: 222 employees).

**Future Funding**

As at the date of this report the Consolidated Entity has sufficient funds or access to debt funding to develop and mine the Talling Peak, Koolan Island and Extension Hill iron deposits.

## DIRECTORS' REPORT

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 9 October 2008 the Company advised ASX that it was in discussions with a number of its customers in relation to requested delays to iron ore shipments scheduled for the quarter commencing October 2008. By the end of November 2008, three of those customers had defaulted on their binding offtake agreements. In response to those events, the Consolidated Entity carefully reviewed all of its available options and took steps to mitigate the risk of further defaults and deferrals while preserving its legal rights against its defaulting customers.

On 3 November 2008 the Company advised ASX that it had signed a binding Heads of Agreement with its major shareholder, APAC Resources Limited ("**APAC**"), and a further binding Heads of Agreement with Shougang Concord International Enterprises Company Limited ("**Shougang Concord**") covering various proposed agreements.

On 26 November 2008 the Company advised ASX that it had entered into the following agreements whereby:

- During November and December, 2008 ("**Short Term Offtake**") APAC and Shougang Concord would purchase all of the Consolidated Entity's available production at US\$40 per WMT,
- Between 1 January and 30 June 2009 ("**Medium Term Offtake**") Shougang Concord would purchase all of the Consolidated Entity's available production at US\$56 per WMT,
- From 1 July 2009 onwards ("**Long Term Offtake**") APAC and Shougang Concord would purchase all of the Consolidated Entity's available production at Hamersley benchmark price less 10%,
- APAC and Shougang Concord would underwrite a 1 for 5 renounceable rights issue at A\$0.60 per share to raise gross proceeds of A\$96,523,674 ("**Rights Issue & Underwriting**"), and
- Shougang Concord would subscribe for a placement of 110,000,000 ordinary shares at A\$0.60 per share to raise an additional A\$66,000,000 ("**Placement**").

The following approvals were required for these agreements:

- The Placement and the Underwriting were conditional upon approval by the Foreign Investment Review Board which was received by APAC and Shougang Concord on 16 December 2008,
- The APAC Rights Issue and Underwriting were conditional upon APAC shareholders' approval which was received on 29 December 2008, and
- The Medium Term Offtake and Long Term Offtake, together with the Underwriting and the Placement, were subject to Mount Gibson shareholder approval. The Company's shareholders approved these transactions at an extraordinary general meeting held on 30 December 2008.

The Placement was completed and proceeds received by the Company on 31 December 2008.

The Rights Issue closed on 6 January 2009. The Rights Issue shortfall of 79% was taken up by the Underwriters. All proceeds from the Rights Issue were received by 12 January 2009.

At completion of the Placement and Rights Issue:

- APAC owned 279,877,773 shares in the Company representing 26.03 % of the issued share capital, and
- Shougang Concord owned 154,166,874 shares in the Company representing 14.34 % of the issued share capital.

The impact of some of its customers defaulting on the Consolidated Entity's near term cash flows, together with the desire of the Consolidated Entity to recommence priority development at Koolan Island and Extension Hill required the raising of additional equity finance. The Rights Issue and Placement together raised gross proceeds of A\$162,523,697. Together with existing cash reserves, the additional funds raised will better place the Consolidated Entity to recommence priority development activities and mitigate the impact on the Consolidated Entity of any near term volatility in the iron ore and financial markets. But for the failure of some of its customers to comply with the terms of binding offtake agreements, the Company would not have required the capital raising.

Until November 2008, the Consolidated Entity had in place a number of long term offtake agreements with various traders and steel mills covering life of mine production from each of Talling Peak, Koolan Island and Extension Hill. Those agreements provided for the Consolidated Entity to sell ore at prices determined by reference to the Hamersley Benchmark Iron Ore Price. During the December quarter the Company announced that a number of its customers had failed to collect iron ore cargoes in accordance with binding purchase agreements. Agreements with three of these customers namely, Pioneer Iron and Steel Group Co Ltd, Rizhao Steel Holding Group Co Ltd and Sinom (Hong Kong) Ltd, were subsequently terminated in accordance with their terms.

Arbitration proceedings are now underway between Mount Gibson and each of these former customers. Mount Gibson is seeking to recover the losses it claims arising from the termination of the agreements. Two of these former customers have issued counterclaims on the basis that the termination by Mount Gibson was not justified. Mount Gibson is confident that the counterclaims are without substance. The arbitrations are progressing and it is unlikely that there will be final determinations by the end of 2009.

During the period the Consolidated Entity continued to mine ore at Koolan Island and Talling Peak. At both sites, material operational changes were made to optimise mine performance in the near term to minimise cash expenditure. These changes had the effect of reducing forecast ore production, sales and cash expenditure from those sites in the 2009 financial year.

The Consolidated Entity temporarily suspended development activities at the Main Pit of Koolan Island and recommenced these activities in July 2009. This deferred the commencement of ore mining from Main Pit for a minimum of six months to the 2011 financial year. Sufficient ore is available within the satellite deposits at Koolan Island to continue producing saleable product during this delay.

The Consolidated Entity also deferred the T6B2 cut back at Talling Peak until July 2009.

Some construction activities at Extension Hill were deferred, whilst commencement of ore production is rescheduled to the second half of 2010. All contracts with key suppliers have been reviewed and appropriate suspensions and terminations executed with no material penalties being incurred.

As a consequence of the forecast reduction in revenue from October 2008 to June 2009, at 31 December 2008, the Consolidated Entity had outstanding US dollar foreign exchange forward contracts totalling US\$186,500,000 in excess of forecast US\$ revenues for that period. Note 32(b) to this Financial Report sets out the details of the restructure of part of the foreign exchange hedge portfolio.

## REVIEW AND RESULTS OF OPERATIONS

### Operating Results for the Period

A summary of the operating results for the Consolidated Entity is set out below:

	<b>CONSOLIDATED</b>	
	<b>2009</b>	<b>2008</b>
	\$'000	\$'000
<b>Operating profit from Continuing Operations before tax</b>	<b>61,709</b>	<b>163,857</b>
Taxation (expense)	(19,091)	(50,513)
<b>Net profit after tax attributable to Members of the Company</b>	<b>42,618</b>	<b>113,344</b>

### Talling Peak Hematite Operations

Talling Peak's operating performance in the September quarter was in line with forecast with strong production and sales results. Mining at Talling Peak was scaled back in the December quarter as a result of customers requesting iron ore shipment deferrals or failing to collect iron ore cargoes pursuant to binding iron ore sales agreements.

Total material movement reduced by 25% at Talling Peak during the December quarter compared with the September quarter. To minimise cash expenditure during the six months to June without compromising ore production, the T6A3 cutback was divided into two staged cutbacks namely the T6A3a and T6A3b. Initially production for the half focused on pre-strip of the T6A3 cutback however the modification of the mine plan in the December quarter focused production on the T6A3b cutback with high grade ore being sourced from the T6A1 and T6A2 cutbacks as required. Excess equipment engaged in the T6A3 cutback was demobilised resulting in a reduction of 40 employees across the site and mine operations were shut down for two weeks in December to minimise cash expenditure whilst drawing down on existing ore stockpiles at the mine and Ruvadini rail yard. Minor capital projects were suspended and this, combined with a reduction in physical activity on the site, reduced mine expenditure significantly. Crusher maintenance was performed during October and November whilst throughput requirements were reduced.

The March quarter total material movement was 13% lower than the December quarter whilst ore production was consistent with the December quarter. Production for the March quarter focused on the T6A2 cutback with high grade ore being sourced from the T6A1. By the end of the March quarter the T6A2 cutback was well advanced. Crusher throughput was increased by 21% during the March quarter to match scheduled high grade ore deliveries and provide blending stockpiles at the Ruvadini railhead. The 10 millionth tonne of Talling Peak iron ore was delivered by rail to the Geraldton Port during the March quarter whilst a 57% increase in rail haulage compared with the previous quarter represented a rail haulage record to the Geraldton Port from the Ruvadini railhead.

In the June quarter, Talling Peak continued its strong physical and sales performance with near record shipments from the Geraldton Port. Total material movement and crusher throughput both increased compared with the March quarter to build ore stockpiles in preparation for a preventative maintenance shutdown of the Talling Peak crusher in the September quarter. Waste movement increased 5% compared with the March quarter whilst ore production was 10% higher. Production focused on the T6A2 cutback with high grade ore being sourced from the T6A1 and T6A2 cutbacks. Crusher throughput increased 31% compared to the previous quarter with rail haulage and shipping in line with the previous record quarter.

As at 30 June 2009, 1.35 million tonnes of iron ore was stockpiled.

### Production summary for 12 months

	Unit	Sept Qtr 2008 '000	Dec Qtr 2008 '000	Mar Qtr 2009 '000	Jun Qtr 2009 '000	YTD 2009 '000	YTD 2008 '000	Incr/ (Decr) %
<i>Mining</i>								
- Waste mined	bcm	2,464	1,825	1,574	1,661	7,524	9,989	(25%)
- Ore mined	wmt	623	570	569	626	2,388	3,841	(38%)
<i>Crushing</i>								
- Lump	wmt	487	282	389	509	1,667	2,005	(17%)
- Fines	wmt	312	199	192	250	953	1,359	(30%)
		<b>799</b>	<b>481</b>	<b>581</b>	<b>759</b>	<b>2,620</b>	<b>3,364</b>	<b>(22%)</b>
<i>Transported to Mullewa Railhead</i>								
- Lump	wmt	452	301	337	464	1,554	1,858	(16%)
- Fines	wmt	381	157	198	189	925	1,138	(19%)
		<b>833</b>	<b>458</b>	<b>535</b>	<b>653</b>	<b>2,479</b>	<b>2,996</b>	<b>(17%)</b>
<i>Transported to Geraldton Port</i>								
- Lump	wmt	320	236	392	435	1,383	1,732	(20%)
- Fines	wmt	344	258	385	310	1,297	753	73%
		<b>664</b>	<b>494</b>	<b>777</b>	<b>745</b>	<b>2,680</b>	<b>2,485</b>	<b>8%</b>
<i>Shipping</i>								
- Lump	wmt	351	235	388	465	1,439	1,775	(19%)
- Fines	wmt	305	294	368	286	1,253	793	58%
		<b>656</b>	<b>529</b>	<b>756</b>	<b>751</b>	<b>2,692</b>	<b>2,568</b>	<b>5%</b>

## DIRECTORS' REPORT

In accordance with the Company's stated accounting policy, deferred waste expenditure for the period has been capitalised in the Consolidated Entity's balance sheet and will be amortised over the expected life of the mine. Expenditure on waste development at Talling Peak during the financial year was as follows:

		12 Months ended 30 June 2009	12 Months ended 30 June 2008	12 Months ended 30 June 2007
Waste mined	mill bcm	7.5	9.9	9.6
Deferred waste capitalised	\$ mill	89.88	97.60	93.24
Amortisation of deferred waste	\$ mill	69.11	80.66	53.57

### Koolan Island Hematite Project

Koolan Island which is located in the Buccaneer Archipelago of Yampi Sound in Western Australia was opened by BHP in 1965 and operated until 1993. BHP mined approximately 68 million tonnes of high grade hematite ore from five pits at Koolan – Main, Mullet, Eastern, Barramundi and Acacia.

In early 2000, Aztec Resources Limited (“Aztec”) acquired Koolan Island and in May 2003 an exploration licence was granted over Koolan Island. During 2003, Aztec undertook a review of available BHP data, carried out site inspections and committed to an exploration/feasibility study programme in 2004. Exploration drilling commenced in February 2004 and the bankable feasibility study was completed in August 2005. Mount Gibson acquired Aztec in February 2008.

The Koolan orebodies are tabular, generally high-grade hematite bodies which are estimated to produce a 30% Lump 70% Fines product with consistently high grades from the Main Ore body (>67% Fe). Initial production from established satellite pits of Mullet, Acacia and Barramundi, which contain lower Fe% and higher contaminants than ore from the Main Pit, has produced approximately 40% Lump 60% Fines product.

Recommencement of open pit mining from the satellite orebodies and stockpiling of ore on the ROM pad occurred in the December quarter 2006. Construction of the shiploader, jetty facilities and crushing and screening plant were completed and commissioned in May 2007 with the first ore shipment taking place in June 2007. At the forecast production rate of 4 Mtpa (production ramps to this rate over the period to the 2011/12 financial year), and based on existing ore reserves, production is expected to continue for at least eight years to 2017 with potential to increase resources as a consequence of the planned exploration drilling to be undertaken over the next two to three years.

In June 2009 the Consolidated Entity entered into a formal Heritage Protection and Exploration Agreement with the Dambimangari Native Title Group in relation to Koolan Island's Western Iron Ore Targets. The western region of Koolan Island is a largely unexplored area that to date has never been drilled. Strongly developed hematite bearing ridges are known to occur through the area, including some spectacular coastal outcrops.

Koolan Island started the financial year as forecast with strong ore sales and record material movements in the September quarter. Operations at Koolan Island were modified substantially in the December quarter resulting from iron ore customers either deferring shipments or failing to collect cargoes in accordance with binding iron ore purchase agreements. Mount Gibson moved quickly to minimise cash expenditure by reducing mine operating activity, reducing equipment, personnel requirements and suspending capital project activity. Consequently, equipment utilised on short term hire agreements was demobilised, Seawall construction suspended, Main Pit Footwall rehabilitation suspended, Main Pit dewatering scaled back, non critical capital works suspended, Main West cut back suspended, Blinker Hill cut back suspended and Crusher Hill cut back suspended, resulting in a reduction of the contract workforce of 160 personnel and a reduction in total material movement of 31% compared with the September quarter whilst ore production was reduced by 23% when compared with the September quarter.

With the suspension of both the Main Pit cut back and Main West Pit, operations focused on the East-Barramundi and Mullet-Acacia pits.

Total material movement for the March quarter was 18% below the December quarter however ore production and sales increased by 35% compared with the previous quarter. Total material movement was restricted by increased tropical cyclone activity and associated rainfall which exceeded the corresponding period last year by 38% and exceeded the average rainfall by 64%. The official wet season from December to March dumped in excess of 960mm of rain on Koolan Island restricted ore production from the Mullet Pit to elevated and dryer benches. Development of the Mullet Pit also focused on establishing long term haul road access and cutting back the Acacia ore zone.

Ore production for the March quarter was largely sourced from Eastern Pit with mining of the original BHP lower bench being completed which has exposed the central ore zone and reduced the pit stripping ratio. Backfilling of the Barramundi West pits was well advanced during the quarter and rehabilitation of this area has commenced.

Total material movement for the June quarter was 38% higher than the previous quarter as fine weather conditions returned to the Kimberley region following the annual monsoonal season. Ore sales increased 58% compared with the previous quarter and were at near record levels.

Record ore production for the June quarter was largely sourced from Eastern Pit which progressed below the original BHP pit limit and exposed the central ore zone reducing the pit stripping ratio. The upper benches of Barramundi West pit were mined whilst the backfilling of the Barramundi Limb was completed. The use of temporary ramps in Mullet Pit was discontinued during the June quarter with the final ramp being established whilst the southern cut back progressed as scheduled.

Mullet-Acacia Pit and East-Barramundi Pit will dominate ore production for the next 12 months at Koolan Island with development of Main Pit and the Main West cut back having recommenced in July 2009. People and equipment were mobilised to Koolan Island in July for the recommencement of seawall construction, footwall rehabilitation and Main Pit dewatering activity. Access to high grade and quality iron ore from Main Pit is scheduled in the 2011 financial year.

**Production Summary for 12 months**

	Unit	Sept Qtr 2008 '000	Dec Qtr 2008 '000	Mar Qtr 2009 '000	Jun Qtr 2009 '000	YTD 2009 '000	YTD 2008 '000	Incr/ (Decr) %
<b>Mining</b>								
- Waste mined	bcm	3,998	2,747	2,181	2,939	11,865	8,529	39%
- Ore mined	wmt	902	696	715	1,211	3,524	3,047	16%
<b>Crushing</b>								
- Lump	wmt	368	157	200	249	974	1,291	(25%)
- Fines	wmt	609	299	420	624	1,952	1,682	16%
		<b>977</b>	<b>456</b>	<b>620</b>	<b>873</b>	<b>2,926</b>	<b>2,973</b>	<b>(2%)</b>
<b>Shipping</b>								
- Lump	wmt	361	222	217	144	944	1,306	(28%)
- Fines	wmt	415	209	364	775	1,763	1,594	11%
		<b>776</b>	<b>431</b>	<b>581</b>	<b>919</b>	<b>2,707</b>	<b>2,900</b>	<b>(7%)</b>

Expenditure on waste development at Koolan Island during the financial year was as follows:

		12 Months ended 30 June 2009	12 Months ended 30 June 2008	12 Months ended 30 June 2007
Waste mined	mill bcm	11.9	8.5	1.7
Deferred waste capitalised	\$ mill	159.99	125.51	7.86
Amortisation of deferred waste	\$ mill	105.73	55.32	1.94

**Extension Hill Direct Shipping Ore Project**

Located in the Mount Gibson Ranges, 85 kilometres east of Perenjori and 260 kilometres east south east of Geraldton, the Extension Hill hematite deposit has Probable Reserves of 12.8 million tonnes and Ore Resources of 19.5 million tonnes.

During the 2007/08 financial year the Mount Gibson Board approved the Detailed Feasibility Study ("DFS") for production and sale of 3 Mtpa of hematite ore from the Extension Hill Direct Shipping Ore project ("DSO Project").

The DSO Project has very similar operational characteristics to Mount Gibson's Tallering Peak operation with the added advantage of a lower strip ratio. Ore mined from Extension Hill will be crushed and screened on site, transported by sealed road 85 kilometres to Perenjori and loaded onto rail wagons for a 235 kilometre journey to the Geraldton Port. Ore will be stored at the Geraldton Port at Mount Gibson's ore storage facilities being constructed at the new Berth 5 iron ore ship loading facility and loaded from Berth 5 for export. An upgrade of rail unloading facilities necessary to ensure greater utilisation of the latent capacity at the Geraldton Port remains with the GPA to construct.

All environmental approvals required to operate the Extension Hill Hematite Mine including the Hematite Transport Proposal have been received.

Development and construction commenced in mid 2008 with the commencement of operations at Extension Hill originally scheduled for the June quarter of 2009.

As a result of customer offtake defaults, in November 2008, Mount Gibson announced that all works associated with the Extension Hill Project would be suspended. Mount Gibson initially scheduled a 12 month suspension of the Extension Hill project. Market conditions and the upgrade of the rail unloader at the Geraldton Port will however ultimately dictate the timing of bringing the Extension Hill mine into production. All contracts with key suppliers have been reviewed and appropriate suspensions and terminations executed with no material penalties being incurred.

Detailed design of site infrastructure, transport corridor, rail siding at Perenjori and port facilities were completed during the June 2009 half. The accommodation camp, site office complex, primary communications equipment and the communications tower for the mine site were delivered during the June 2009 half and are in storage pending recommencement of construction activity.

Numerous items purchased directly by the Company for the Extension Hill mine site continue to be delivered in accordance with the various purchase orders issued prior to suspending work and the Company has leased facilities to store this equipment until such time as construction and development activity recommences.

Civil works for the Berth 5 storage facilities at Geraldton Port were completed and the civil contractor demobilised from site during the December quarter. Whilst the fabrication and delivery of structural steelwork for the Berth 5 storage facilities was well advanced at the time the overall project works were suspended and Mount Gibson elected to have the contractor engaged to undertake this work complete the fabrication of all major structural steel components and deliver all fabricated sections to the Berth 5 work site prior to suspending steelwork erection.

Items purchased directly by the Company for the new Berth 5 Storage facility continue to be delivered in accordance with existing contracts and purchase orders issued prior to suspending work whilst the Company has leased suitable warehouse facilities to store this equipment until such time as construction and development recommences.

Westnet Rail has undertaken minor works associated with upgrading the existing rail line between Perenjori and Geraldton to allow for ongoing grain transportation. All other work on the rail upgrade remains suspended.

All 190 new rail wagons for the Extension Hill project were delivered during the June quarter. Commissioning of all new wagons is scheduled to be completed during the September 2009 quarter.

The recommencement of detailed design and construction work to upgrade the existing rail unloader and associated materials handling system will be sequenced such that these facilities are completed at the same time as the new Berth 5 storage facility. The sole long lead item (primary feeder Haggblunds drive) required for the Rail Unloader Upgrade Project ordered prior to suspending works on this project was delivered during the June quarter.

## DIRECTORS' REPORT

Reverse circulation infill resource drilling of the Extension Hill DSO resource commenced in late November 2008 and was completed in early April 2009. A total of 492 holes were drilled during the program totalling 20,909m including 22 holes (1,512m) drilled during April. All outstanding assay results were returned and detailed resource modelling has been ongoing. At the end of the quarter the geological and orebody models were finalised and grade estimation commenced.

The large increase in available data, including downhole geophysics (density, magnetic susceptibility and gryoscopic directional surveys) has enabled a major improvement in the interpretation and understanding of this orebody.

The highest grade central core of the mineralisation is dominated by massive hematite that appears to be the result of oxidation and other chemical activity on the primary magnetite mineralisation that underlies the deposit. Some of the hematite occurs as "feeders" that can merge to form wide high grade ore zones. Within the top 10m below the surface more recent weathering processes resulted in alteration to goethite dominated mineralisation. On the western flank a thick, broad sub-horizontal zone of re-cemented and lateritised detrital goethite dominated mineralisation reflects an ancient paleosurface and suggests significantly steeper topography than present today. Low grade canga style mineralisation outcrops variably over the surface on both flanks of the Extension Hill mineralisation.

The main high grade hematite mineralisation shows strong along strike (north-south) continuity with highly variable morphology and grade distribution with structural pinching and swelling and some minor cross-faulting. An updated Resource and Reserve estimate of the Extension Hill DSO project will be compiled in the September Quarter.

### Review of Financial Condition

During the course of the financial year a number of events impacted on the financial condition of the Consolidated Entity as follows:

- Shareholders funds increased by \$183,989,312 (31%) to \$780,480,517:
  - On 31 December 2008, Shougang Concord subscribed for a placement of 110,000,000 ordinary shares at A\$0.60 per share to raise an additional A\$66,000,000 (before expenses),
  - On 12 January 2009 the Company completed a 1 for 5 fully underwritten renounceable rights issue at A\$0.60 per share to raise gross proceeds of A\$96,523,674 (before expenses) which resulted in an additional 160,872,790 fully paid ordinary shares being issued,
  - Holders of 515,000 options exercised their options resulting in \$441,850 in equity funding for the Company.
- On 30 June 2009 the Company restructured the existing debt facilities (see Note 16).
- On 30 June 2009 the Company restructured a portion of its foreign exchange hedge portfolio (see Note 32[b]).
- Acquisition of property, plant and equipment with an aggregate fair value of \$14,508,222 that were financed by means of finance leases.
- Mine properties increased by \$56,604,291 primarily due to deferred waste capitalised as a result of increase in waste mined at Talling Peak and Koolan Island.

At 30 June 2009 the Consolidated Entity had:

- Cash on hand of \$222,172,726,
- Corporate Debt of \$105,000,000, and
- Equipment finance leases and hire purchase liabilities of \$63,408,320.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as referred to in the Review and Results of Operations and in this report, further information as to likely developments in the operations of the Consolidated Entity and likely results of those operations would, in the opinion of the Directors, be speculation and not in the best interest of the Company.

### SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 August 2009 the High Court of the Hong Kong Special Administrative Region dismissed an application by Sinom (Hong Kong) Limited for an injunction to restrain Mount Gibson Mining Limited from presenting a winding-up petition based on debt demanded in a statutory demand of 24 October 2008. On 6 August 2009 Mount Gibson Mining Limited filed a winding-up petition with the High Court of the Hong Kong Special Administrative Region in respect of the unsatisfied debt demanded in the statutory demand.

Apart from the above, as at the date of this report there are no significant events after balance date of the Company or of the Consolidated Entity that require adjustment of or disclosure in this report.

### SHARE OPTIONS

#### Unissued shares

Details of Options over Ordinary Shares in the Company on issue as at balance date and at the date of this report are:

Exercise Price	Exercise Date/ Period	Options on issue at	
		Balance date	Date of report
78 cents	On or before 31 December 2009	250,000	250,000
89 cents	On or before 31 December 2009	1,621,000	1,621,000
299 cents	On or before 31 December 2009	6,900,000	6,850,000
90 cents	On or before 30 June 2010	2,000,000	2,000,000
90 cents	On or before 23 October 2010	3,000,000	3,000,000
110 cents	On or before 23 October 2012	2,000,000	2,000,000
<b>Total</b>		<b>15,771,000</b>	<b>15,721,000</b>

In addition, as at 30 June 2009, there were nil (2008: 8,475,000) options granted but not issued under the Employee Share Scheme. Option holders do not have any right, by virtue of the Option, to participate in any share issue of the Company.

#### Shares issued as a result of the exercise of options

During the financial year, 515,000 options were exercised to acquire fully paid ordinary shares in the Company at a weighted average exercise price of \$0.86. Since the end of the financial year, no options have been exercised, however 50,000 options have been forfeited.

#### DIVIDENDS

No dividends were paid during the period and no recommendation is made as to dividends.

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has, during the financial period, entered into deeds of access and indemnity with each Director. These deeds provide access to documentation and indemnification against liability for loss suffered, as a result of any act or omission, to the extent permitted by the *Corporations Act 2001*, from conduct of the Consolidated Entity's business.

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors of the Company against costs incurred in defending proceedings except for conduct involving:

- a wilful breach of duty; or
- 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 was \$114,868. This amount has not been included in Directors' and Executives' remuneration.

#### REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report Key Management Personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any directors of the Company.

#### Nomination, Remuneration and Governance Committee ("NRGC")

The NRGC of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and Key Management Personnel.

The NRGC assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and Executive team.

#### Remuneration Policy

The Remuneration Policy of the Company and its Controlled Entities has been put in place to ensure that:

- remuneration policies and systems support the Company's wider objectives and strategies,
- Directors' and Senior Executives' remuneration is aligned to the long-term interests of Shareholders within an appropriate control framework, and
- there is a clear relationship between the Executives' performance and remuneration.

#### Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director, Executive Director and Senior Executive management remuneration is separate.

#### Non-Executive Director Remuneration

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to Shareholders.

##### Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 26 November 2008 when Shareholders approved an aggregate remuneration of \$750,000 per year.

Each Non-Executive Director receives a fee for being a Director of the Company.

Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of Directors.

All Non-Executive Directors' performance and remuneration is reviewed on an annual basis by the Chairman.

Non-Executive Directors' fixed remuneration will comprise the following elements:

- cash remuneration, and
- superannuation contributions made by the Company.

Non-Executive Directors are eligible to receive options under the Company Employee Option Scheme, subject to approval by Shareholders.

Board operating costs do not form part of Non-Executive Directors' remuneration.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for Directors to have a stake in the Company on whose board they sit.

## DIRECTORS' REPORT

### Executive Directors and Senior Executives Remuneration

#### Objective

The Company aims to reward Executive Directors and Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward the Executive Directors and Senior Executives for company and individual performance against targets set by reference to appropriate benchmarks,
- align the interest of the Executive Directors and Senior Executives with those of Shareholders,
- link reward with the strategic goals and performance of the Company, and
- ensure total remuneration is competitive by market standards.

#### Fixed Remuneration

The components of the Executive Directors' and Senior Executives' fixed remuneration are determined individually and may include:

- cash remuneration,
- accommodation and travel benefits,
- motor vehicle, parking and other benefits, and
- reimbursement of entertainment, home office and telephone expenses.

The Executive Directors' remuneration is reviewed on an annual basis by the Non-Executive Directors. The Senior Executives' remuneration is reviewed on an annual basis by the Managing Director.

In determining the remuneration package, the NRGC reviews the individual's remuneration with the use of market data for positions with comparable companies. Where appropriate, the package is adjusted so as to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year is considered in the context of the Company's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent consultant in this field is undertaken to provide an independent reference point.

#### Variable Remuneration

##### Short-term Incentive ("STI")

The Executive Directors and Senior Executives may receive variable remuneration in the form of STI. STI are linked to general performance targets and provide rewards for materially improved Company performance. The total potential STI available is at the Board's discretion but is measured to provide sufficient incentive to the Executive Directors and Senior Executives to achieve the operational targets and such that the cost to the Consolidated Entity is reasonable in the circumstances. Actual STI payments granted depend on the extent to which specific operating targets set at the beginning of the financial year are met. These targets consist of a number of Key Performance Indicators ("KPIs") covering both financial and non-financial, corporate and individual performance measures. The STIs are based on achieving the following measures where these are applicable to the specific Executive:

- performance of the Consolidated Entity in meeting its objectives which include contribution to net profit after tax, risk management and leadership/team contribution,
- financial performance of the Consolidated Entity,
- increase in market capitalisation of the Consolidated Entity, and
- such other matters determined by the NRGC in its discretion.

These measures have been selected to align the interests of Executives with shareholders representing the key drivers for short term success of the business and providing a framework for delivering long term value.

The Consolidated Entity has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, the individual performance of each Senior Executive is reviewed by the NRGC, which is in line with their responsibilities, after consideration of the executive's performance against KPIs. This process usually occurs prior to or just after the reporting date. NRGC then determines the amount of STI to be allocated to each executive. Payments made are delivered as a cash bonus prior to or just after the reporting date.

##### STI bonus for 2008 and 2009 financial years

For the 2008 financial year, 100% of the STI cash bonus totalling \$581,600 was approved and vested to Executive Directors and Senior Executives. \$431,600 was paid in the 2008 financial year. For the 2009 financial year 64% of the STI cash bonus totalling \$478,572 has been approved and vested to Executive Directors and Senior Executives. \$320,000 was paid in the 2009 financial year.

##### Long-term Incentive ("LTI") for 2008 and 2009 financial year

The Company established the Mount Gibson Iron Limited Performance Rights Plan ("PRP") in the 2008 financial year. Under the PRP, the Board may invite eligible executives to apply for performance rights, which are an entitlement to receive ordinary shares in the Company, subject to satisfaction by the executive of specified performance hurdles set by the Board. The rights are granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return ("TSR") measured against the TSR of a comparator group of companies over the same period. A TSR hurdle was incorporated in the PRP as it enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives. The Company received shareholder approval for the issue of the performance rights to Mr Tonkin and Mr Rule at its 2007 AGM.

The employment contracts for the Managing Director, Mr Tonkin, the Chief Financial Officer, Mr Rule and the Company Secretary, Mr Berg incorporate payment of a long term incentive. Under their employment contracts, Mr Tonkin, Mr Rule and Mr Berg will each year each be invited to apply for, and the Company will grant a number of performance rights equivalent to one third of their respective base salaries (including superannuation) divided by the volume weighted average price of the Company's shares as traded on ASX for the 30 day period to 30 June for the relevant year.

Performance rights totalling 113,140 were allocated on 19 September 2008 by the Company to Mr Tonkin and Mr Rule in respect of the 2008 financial year.

Performance rights totalling 492,677 were allocated on 30 June 2009 by the Company to Mr Tonkin, Mr Rule and Mr Berg in respect of the 2009 financial year. The Company does not have a policy restricting executives from entering into arrangements to protect the value of LTI awards.

## Employment Contracts

As at the date of this report, the Consolidated Entity had entered into employment contracts with the following Executive Director, Senior Executive and Company Secretary:

### Luke Tonkin

The key terms of his contract include:

- Commenced 1 July 2008 with no set term,
- Annual Salary Package increase by minimum of CPI from 1 July every year,
- STI Bonus of up to one third of Annual Salary Package,
- LTI Bonus of up to one third of Annual Salary Package, and
- If the Company wishes to terminate the contract other than if Mr Tonkin is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of the Duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Tonkin wishes to terminate the contract, he must provide six months notice.

### Alan Rule

The key terms of his contract include:

- Commenced 1 July 2008 with no set term,
- Annual Salary Package increase by minimum of CPI from 1 July every year,
- STI Bonus of up to one third of Annual Salary Package,
- LTI Bonus of up to one third of Annual Salary Package, and
- If the Company wishes to terminate the contract other than if Mr Rule is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of the Duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Rule wishes to terminate the contract, he must provide six months notice.

### David Berg

The key terms of his contract include:

- Commenced 18 August 2008 with no set term,
- Annual Salary Package increase by minimum of CPI from 1 July every year,
- STI Bonus of up to one third of Annual Salary Package,
- LTI Bonus of up to one third of Annual Salary Package, and
- If the Company wishes to terminate the contract other than if Mr Berg is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of the Duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Berg wishes to terminate the contract, he must provide six months notice.

## Details of Key Management Personnel

### [i] Directors

N Hamilton	Chairman
L Tonkin	Managing Director
C Readhead	Non-Executive Director
I Macliver	Non-Executive Director
A Jones	Non-Executive Director
Cao Z	Non-Executive Director (appointed 2 December 2008)
Chen Z	Non-Executive Director (appointed 19 January 2009)
R Willcocks	Alternate Director to Cao Z (appointed 22 December 2008)
A Rule	Chief Financial Officer and Alternate Director to Mr Tonkin

### [ii] Executives

D Quinlivan	Chief Operating Officer
D Berg	Company Secretary – from 21 August 2008
R Mencil	General Manager – Talling Peak
R Richardson	General Manager – Koolan Island from 1 October 2008
R Jordinson	General Manager – Koolan Island until 30 September 2008

## DIRECTORS' REPORT

### Remuneration of Key Management Personnel and highest paid executives for the year ended 30 June 2009

	Short Term			Post Employment	Share Based Payment		Total \$	% Performance Related
	Salary and Fees \$	Non Monetary \$	Cash Bonuses \$	Super- annuation \$	Retirement Benefits \$	Options and Performance Rights \$		
<b>Directors</b>								
N Hamilton	199,083	-	-	17,917	-	-	217,000	0%
L Tonkin	650,000	1,637	150,000	50,000	-	646,437	1,498,074	53%
C Readhead	111,000	-	-	-	-	-	111,000	0%
I Macliver	105,505	-	-	9,495	-	-	115,000	0%
A Jones	94,495	-	-	8,505	-	-	103,000	0%
Cao Z	55,178	-	-	-	-	-	55,178	0%
Chen Z	42,425	-	-	-	-	-	42,425	0%
R Willcocks	-	-	-	-	-	-	-	0%
A Rule	458,716	1,637	107,143	41,284	-	216,789	825,569	39%
<b>Sub-total directors</b>	<b>1,716,402</b>	<b>3,274</b>	<b>257,143</b>	<b>127,201</b>	<b>-</b>	<b>863,226</b>	<b>2,967,246</b>	
<b>Executives</b>								
D Quinlivan	676,813	1,637	-	-	-	-	678,450	0%
D Berg	191,955	1,422	51,429	17,276	-	14,917	276,999	24%
R Mencil	302,500	-	20,000	27,225	-	37,967	387,692	15%
R Richardson	195,001	-	-	17,550	-	-	212,551	0%
R Jordinson	119,000	730	150,000	-	-	9,570	279,300	57%
<b>Sub-total executives</b>	<b>1,485,269</b>	<b>3,789</b>	<b>221,429</b>	<b>62,051</b>	<b>-</b>	<b>62,454</b>	<b>1,834,992</b>	
<b>Totals</b>	<b>3,201,671</b>	<b>7,063</b>	<b>478,572</b>	<b>189,252</b>	<b>-</b>	<b>925,680</b>	<b>4,802,238</b>	

### Options granted as part of remuneration for the year ended 30 June 2009

There is currently a Directors, Officers, Employees and Other Permitted Persons option plan. Options issued pursuant to this plan do not have performance conditions but do contain a vesting condition requiring the employee to remain employed by the Consolidated Entity until a certain date. The cost of these options is measured by reference to their fair value at the date at which they are granted. The fair value is determined by using a binomial model.

There were no options granted to directors and executives during the year ended 30 June 2009.

### Performance Rights granted as part of remuneration for the year ended 30 June 2009

	Allocation Date	Allocation Number	Value of Performance Rights Granted During the Year \$	% of Remuneration
L Tonkin	19-Sep-08	66,077	121,582	8%
L Tonkin	30-Jun-09	239,496	143,698	10%
A Rule	19-Sep-08	47,063	86,596	11%
A Rule	30-Jun-09	171,068	102,641	13%
D Berg	30-Jun-09	82,113	49,267	19%

Performance Rights granted above as part of Remuneration have been independently valued using the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows the incorporation of the market based performance hurdles that must be met before the Performance Rights vest. The value per option at grant date is calculated using the following assumptions:

Accounting grant date	Aug-08
Share price at grant date	\$1.91
Risk free interest rate	5.69%
Volatility factor	55%

The vesting of these Performance Rights is subject to a relative Total Shareholder Return ("TSR") hurdle to be measured on:

- 30 June 2010 and remeasured on 31 December 2010 for Performance Rights allocated on 19 September 2008, and
- 30 June 2011 and remeasured on 31 December 2011 for Performance Rights allocated on 30 June 2009.

Mount Gibson's TSR performance will be ranked relative to a comparator group consisting of 62 resource companies listed on ASX. The vesting scale is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

#### Shares issued on exercise of options for the year ended 30 June 2009

There were no shares issued on exercise of options by the directors and executives during the year ended 30 June 2009.

#### Options vested to directors and executives

	Year ended 30 June 2009	Year ended 30 June 2008
L Tonkin	3,000,000	-
A Rule	2,000,000	-
R Mencil	350,000	250,000
R Jordinson	100,000	-
<b>Total</b>	<b>5,450,000</b>	<b>250,000</b>

#### Remuneration of Key Management Personnel for the year ended 30 June 2008

	Short Term			Post Employment		Share Based Payment		Total \$	% Performance Related
	Salary and Fees \$	Non Monetary \$	Cash Bonuses \$	Super- annuation \$	Retirement Benefits \$	Options and Performance Rights \$			
<b>Directors</b>									
N Hamilton	172,844	-	-	15,556	-	-	188,400	0%	
L Tonkin	592,083	1,414	210,600	48,289	-	715,163	1,567,549	59%	
C Readhead	85,000	-	-	-	-	-	85,000	0%	
I Macliver	82,560	-	-	7,440	-	-	90,000	0%	
A Jones	73,394	-	-	6,606	-	-	80,000	0%	
P Bilbe	45,125	-	205,000	4,061	-	-	254,186	81%	
M Horn	62,500	-	-	-	-	-	62,500	0%	
A Rule	412,844	1,414	150,000	37,156	-	368,710	970,124	53%	
<b>Sub-total directors</b>	<b>1,526,350</b>	<b>2,828</b>	<b>565,600</b>	<b>119,108</b>	<b>-</b>	<b>1,083,873</b>	<b>3,297,759</b>		
<b>Executives</b>									
D Quinlivan	683,644	1,414	-	-	-	-	685,058	0%	
R Mencil	271,250	-	16,000	24,413	-	62,903	374,566	21%	
R Jordinson	515,000	-	-	-	-	35,903	550,903	7%	
<b>Sub-total executives</b>	<b>1,469,894</b>	<b>1,414</b>	<b>16,000</b>	<b>24,413</b>	<b>-</b>	<b>98,806</b>	<b>1,610,527</b>		
<b>Totals</b>	<b>2,996,244</b>	<b>4,242</b>	<b>581,600</b>	<b>143,521</b>	<b>-</b>	<b>1,182,679</b>	<b>4,908,286</b>		

#### Options granted as part of remuneration for the year ended 30 June 2008

	Grant Date	Exercise Price	Grant Number	Value per Option at Grant Date \$	Value of Options Granted During the Year \$	Exercised Number	Value at Date Option Lapsed	Total Value of Options Exercised and Lapsed During Year	% of Remun- eration
R Mencil	9-Jan-08	\$2.99	100,000	0.7387	73,870	N/A	N/A	N/A	20%
R Jordinson	9-Jan-08	\$2.99	100,000	0.7387	73,870	N/A	N/A	N/A	13%

These options were granted but not yet issued on the basis that the executives must complete their employment service to 31 December 2008 before they vest.

## DIRECTORS' REPORT

Options granted as part of Senior Executive emoluments have been valued using the Binomial option pricing model. The value per option at grant date is calculated using the following assumptions:

Grant date	9-Jan-08
Vesting date	31-Dec-08
Share price at grant date	\$2.80
Exercise price	\$2.99
Risk free interest rate	6.53%
Volatility factor	53%
Expiry date	31-Dec-09

### Shares issued on exercise of options for the year ended 30 June 2008

There were no shares issued on exercise of options by the directors and executives during the year ended 30 June 2008.

### Performance Rights granted as part of remuneration for the year ended 30 June 2008

	Grant Date	Grant Number	Value per Right at Grant Date \$	Value of Performance Rights Granted During the Year \$	% of Remuneration
L Tonkin	18-Apr-08	161,681	\$2.61	421,987	27%
A Rule	18-Apr-08	121,261	\$2.61	316,491	33%

Performance Rights granted as part of Remuneration have been independently valued using the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows the incorporation of the market based performance hurdles that must be met before the Performance Rights vest. The value per option at grant date is calculated using the following assumptions:

Grant date	18-Apr-08
Share price at grant date	\$2.72
Risk free interest rate	6.29%
Volatility factor	52%
Performance period start date	1-Jul-07
Performance period end date	30-Jun-10

The vesting of these Performance Rights is subject to a relative Total Shareholder Return ("TSR") hurdle to be measured at 30 June 2010 and 31 December 2010. Mount Gibson's TSR performance will be ranked relative to a comparator group consisting of 62 resource companies listed on ASX. The vesting scale is as follows:

Percentile Rank Achieved	Proportion of Target Award Vesting
>76th percentile	100%
> 51st percentile and ≤76th percentile	Pro rata allocation
51st percentile	50%
<51st percentile	0%

### Company Performance

The table below shows the performance of the Consolidated Entity over the last 5 years:

		30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Net Profit after tax	\$'000	42,618	113,344	47,765	23,479	13,502
Earnings per share	\$/share	0.0456	0.1425	0.0753	0.0574	0.0366

## DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Directors' Meetings	Audit and Risk Management Committee Meetings	Nomination, Remuneration and Governance Committee
<b>Number of Meetings Held</b>	14	2	3
N Hamilton	14	-	3
L Tonkin	14	-	-
C Readhead	14	2	3
I Macliver	14	2	3
A Jones	14	2	-
Cao Z <sup>[1]</sup>	5	-	-
Chen Z <sup>[2]</sup>	5	-	-
R Willcocks <sup>[3]</sup>	-	-	-
A Rule <sup>[4]</sup>	-	-	-

1 Mr Cao only appointed as a director on 1 December 2008

2 Mr Chen only appointed as a director on 19 January 2009

3 Mr Willcocks did not attend any meetings as an alternate director during the year

4 Mr Rule did not attend any meetings as an alternate director during the year

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the Shares and Options of the Company were:

	Ordinary Shares	Options over Shares	Performance Rights over Shares
N Hamilton	185,000	-	-
L Tonkin	-	5,000,000	467,254
C Readhead	567,500	-	-
I Macliver	1,000,000	-	-
A Jones	100,000	-	-
Cao Z	-	-	-
Chen Z	-	-	-
R Willcocks	50,000	-	-
A Rule	50,000	2,000,000	339,392

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity has developed Environmental Management Plans for its operations at Koolan Island, Talling Peak and the rail head at Ruvadini. The Environmental Management Plans have been approved by the West Australian Government Departments of Industry and Resources, Environment and Conservation and Land Management.

The Environmental Protection Authority has granted approval of the Environmental Management Plans and the Department of Environment and Conservation has granted approval of the environmental works to allow construction of "prescribed" facilities at the Extension Hill mine site.

The Consolidated Entity holds various environmental licenses and authorities, issued under both State and Federal law, to regulate its mining and exploration activities in Australia. These licenses include conditions and regulation in relation to specifying limits on discharges into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities, and the storage of hazardous substances.

There have been no material breaches of the Consolidated Entities licenses and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

## PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings on behalf of the Company under section 237 of the *Corporations Act 2001* in the financial year or at the date of this report.

## ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

## DIRECTORS' REPORT

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the additional ASX information section of the annual report.

### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the directors received the attached independence declaration from the auditor of the Company on page 33 which forms part of this report.

### NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young, during the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.



**N HAMILTON**  
Chairman

Perth, 13 August 2009

## AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MOUNT GIBSON IRON LIMITED



Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
[www.ey.com/au](http://www.ey.com/au)

### Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

In relation to our audit of the financial report of Mount Gibson Iron Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin A Buckingham  
Partner  
13 August 2009

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CONTINUING OPERATIONS</b>					
Sale of goods	2[a]	425,443	432,674	-	-
Other revenue	2[a]	6,287	2,500	11,219	3,712
<b>Total revenue</b>		<b>431,730</b>	<b>435,174</b>	<b>11,219</b>	<b>3,712</b>
Cost of sales	2[d]	(293,497)	(244,635)	-	-
<b>Gross profit</b>		<b>138,233</b>	<b>190,539</b>	<b>11,219</b>	<b>3,712</b>
Other income	2[b]	45	3,881	-	-
Administration expenses	2[e]	(27,963)	(15,420)	(2,853)	(2,998)
Impairment allowance for doubtful debts	5[b]	(15,247)	-	-	-
Foreign exchange derivatives mark-to-market gain/(loss) - unrealised		(14,625)	390	(1,215)	286
Impairment of available-for-sale financial assets		(1,685)	-	(1,685)	-
Exploration expenses		(24)	(38)	-	-
<b>Profit from continuing operations before tax and finance costs</b>		<b>78,734</b>	<b>179,352</b>	<b>5,466</b>	<b>1,000</b>
Finance costs	2[c]	(17,025)	(15,495)	(9,666)	(9,488)
<b>Profit/(loss) from continuing operations before income tax</b>		<b>61,709</b>	<b>163,857</b>	<b>(4,200)</b>	<b>(8,488)</b>
Income tax benefit/(expense)	3	(19,091)	(50,513)	1,139	2,742
<b>Net profit/(loss) after tax attributable to members of the company</b>		<b>42,618</b>	<b>113,344</b>	<b>(3,061)</b>	<b>(5,746)</b>
Earnings per share (cents per share)					
• basic earnings per share	24	4.56	14.25		
• diluted earnings per share	24	4.55	14.12		

## CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	4	222,173	48,658	4,538	4,562
Trade and other receivables	5	17,224	83,436	1,230	38
Inventories	6	111,760	71,448	-	-
Prepayments		2,330	1,570	-	1
Derivative financial assets	7	2,077	25,161	175	1,559
Other assets	8	15,107	-	15,107	-
<b>Total current assets</b>		<b>370,671</b>	<b>230,273</b>	<b>21,050</b>	<b>6,160</b>
<b>Non-current assets</b>					
Trade and other receivables	5	-	1,000	274,227	116,947
Derivative financial assets	7	147	-	-	-
Available for sale financial assets	9	-	1,113	-	1,113
Other financial assets	10	-	-	347,640	344,509
Property, plant and equipment	12	184,505	188,497	5	5
Deferred acquisition, exploration, evaluation and development costs	13	53,784	25,919	-	-
Mine properties	14	503,839	447,235	-	-
Deferred income tax assets	3	-	-	39,667	53,840
<b>Total non-current assets</b>		<b>742,275</b>	<b>663,764</b>	<b>661,539</b>	<b>516,414</b>
<b>Total assets</b>		<b>1,112,946</b>	<b>894,037</b>	<b>682,589</b>	<b>522,574</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	15	75,103	73,406	24,942	20,975
Interest-bearing loans and borrowings	16	112,508	12,415	98,179	-
Derivative financial liabilities	17	14,356	342	2,997	342
Provisions	18	2,489	1,880	-	-
<b>Total current liabilities</b>		<b>204,456</b>	<b>88,043</b>	<b>126,118</b>	<b>21,317</b>
<b>Non-current liabilities</b>					
Provisions	18	18,303	19,112	-	-
Interest-bearing loans and borrowings	16	49,080	145,858	-	101,607
Derivative financial liabilities	17	6,942	-	-	-
Deferred income tax liabilities	3	53,684	44,532	-	-
<b>Total non-current liabilities</b>		<b>128,009</b>	<b>209,502</b>	<b>-</b>	<b>101,607</b>
<b>Total liabilities</b>		<b>332,465</b>	<b>297,545</b>	<b>126,118</b>	<b>122,924</b>
<b>Net assets</b>		<b>780,481</b>	<b>596,492</b>	<b>556,471</b>	<b>399,650</b>
<b>EQUITY</b>					
Issued capital	19[a]	556,032	397,197	556,032	397,197
Retained earnings / (accumulated losses)	21	213,823	171,205	(15,367)	(12,306)
Reserves	20	10,626	28,090	15,806	14,759
<b>Total equity</b>		<b>780,481</b>	<b>596,492</b>	<b>556,471</b>	<b>399,650</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		476,838	357,139	-	-
Payments to suppliers and employees		(362,806)	(299,319)	(2,668)	(2,479)
Interest paid		(14,544)	(12,067)	(8,631)	(6,440)
<b>Net cash flows provided by/(used in) operating activities</b>	<b>4[b]</b>	<b>99,488</b>	<b>45,753</b>	<b>(11,299)</b>	<b>(8,919)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		5,533	2,410	162	247
Payment for costs associated with acquisition of controlled entity		-	(14,131)	-	(14,131)
Proceeds from sale of property, plant and equipment		82	684	-	-
Purchase of property, plant and equipment		(10,921)	(19,118)	-	-
Payment for deferred exploration, evaluation and development expenditure		(27,879)	(14,911)	-	-
Payment for mine properties		(17,035)	(18,102)	-	-
Purchase of available-for-sale investments		-	(168)	-	(168)
Purchase of convertible note receivable		-	(1,000)	-	(1,000)
Loans from/(to) controlled entities		-	-	(130,093)	(82,545)
Loans from/(to) other entities		-	236	-	236
<b>Net cash flows (used in) investing activities</b>		<b>(50,220)</b>	<b>(64,100)</b>	<b>(129,931)</b>	<b>(97,361)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary shares		162,966	10,367	162,966	10,367
Payment for capital raising		(5,352)	-	(5,352)	-
Payment for performance bonds		(15,107)	-	(15,107)	-
Proceeds from borrowings		-	105,000	-	105,000
Repayment of lease liabilities		(16,835)	(17,057)	-	-
Repayment of borrowings		-	(87,095)	-	-
Payment of borrowing costs		(1,425)	(5,008)	(1,301)	(4,876)
<b>Net cash flows provided by financing activities</b>		<b>124,247</b>	<b>6,207</b>	<b>141,206</b>	<b>110,491</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>173,515</b>	<b>(12,140)</b>	<b>(24)</b>	<b>4,211</b>
Cash and cash equivalents at beginning of period		48,658	60,798	4,562	351
<b>Cash and cash equivalents at end of period</b>	<b>4[a]</b>	<b>222,173</b>	<b>48,658</b>	<b>4,538</b>	<b>4,562</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to Equity Holders of the Parent					Total Equity
	Issued Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Net Unrealised Gains / (Losses) Reserve \$'000	Other Reserves \$'000	\$'000
<b>CONSOLIDATED</b>						
<b>At 1 July 2007</b>	<b>386,766</b>	<b>57,861</b>	<b>8,911</b>	<b>3,963</b>	<b>(3,192)</b>	<b>454,309</b>
Net unrealised loss on available-for-sale financial assets	-	-	-	(856)	-	(856)
Net gain on cash flow hedges	-	-	-	19,607	-	19,607
Deferred income tax on cash flow hedges	-	-	-	(5,942)	-	(5,942)
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,809</b>	<b>-</b>	<b>12,809</b>
Profit for the period	-	113,344	-	-	-	113,344
<b>Total income and expense for the period</b>	<b>-</b>	<b>113,344</b>	<b>-</b>	<b>12,809</b>	<b>-</b>	<b>126,153</b>
Deferred income tax on capital raising cost	64	-	-	-	-	64
Exercise of options	10,367	-	-	-	-	10,367
Share-based payment	-	-	5,599	-	-	5,599
<b>At 30 June 2008</b>	<b>397,197</b>	<b>171,205</b>	<b>14,510</b>	<b>16,772</b>	<b>(3,192)</b>	<b>596,492</b>
<b>At 1 July 2008</b>	<b>397,197</b>	<b>171,205</b>	<b>14,510</b>	<b>16,772</b>	<b>(3,192)</b>	<b>596,492</b>
Net impairment loss on available-for-sale financial assets	-	-	-	573	-	573
Net loss on cash flow hedges	-	-	-	(30,239)	-	(30,239)
Deferred income tax on cash flow hedges	-	-	-	9,071	-	9,071
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,595)</b>	<b>-</b>	<b>(20,595)</b>
Profit for the period	-	42,618	-	-	-	42,618
<b>Total income and expense for the period</b>	<b>-</b>	<b>42,618</b>	<b>-</b>	<b>(20,595)</b>	<b>-</b>	<b>22,023</b>
Capital raising cost	(5,352)	-	-	-	-	(5,352)
Deferred income tax on capital raising cost	1,221	-	-	-	-	1,221
Shares issued	162,524	-	-	-	-	162,524
Exercise of options	442	-	-	-	-	442
Share-based payment	-	-	3,131	-	-	3,131
<b>At 30 June 2009</b>	<b>556,032</b>	<b>213,823</b>	<b>17,641</b>	<b>(3,823)</b>	<b>(3,192)</b>	<b>780,481</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2009

	Attributable to Equity Holders of the Parent				Total Equity
	Issued Capital \$'000	Accumulated Losses \$'000	Share Based Payments Reserve \$'000	Net Unrealised Gains / (Losses) Reserve \$'000	\$'000
<b>COMPANY</b>					
<b>At 1 July 2007</b>	<b>386,766</b>	<b>(6,560)</b>	<b>8,911</b>	<b>283</b>	<b>389,400</b>
Net unrealised gain on available-for-sale financial assets	-	-	-	(856)	(856)
Net gains on cash flow hedges	-	-	-	1,174	1,174
Deferred income tax on cash flow hedges	-	-	-	(352)	(352)
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>(34)</b>
Loss for the period	-	(5,746)	-	-	(5,746)
<b>Total income and expense for the period</b>	<b>-</b>	<b>(5,746)</b>	<b>-</b>	<b>(34)</b>	<b>(5,780)</b>
Issue of share capital for acquisition of Controlled Entity	64	-	-	-	64
Exercise of options	10,367	-	-	-	10,367
Share-based payment	-	-	5,599	-	5,599
<b>At 30 June 2008</b>	<b>397,197</b>	<b>(12,306)</b>	<b>14,510</b>	<b>249</b>	<b>399,650</b>
<b>At 1 July 2008</b>	<b>397,197</b>	<b>(12,306)</b>	<b>14,510</b>	<b>249</b>	<b>399,650</b>
Net impairment loss on available-for-sale financial assets	-	-	-	573	573
Net loss on cash flow hedges	-	-	-	(3,795)	(3,795)
Deferred income tax on cash flow hedges	-	-	-	1,138	1,138
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,084)</b>	<b>(2,084)</b>
Loss for the period	-	(3,061)	-	-	(3,061)
<b>Total income and expense for the period</b>	<b>-</b>	<b>(3,061)</b>	<b>-</b>	<b>(2,084)</b>	<b>(5,145)</b>
Deferred income tax on capital raising cost	1,221	-	-	-	1,221
Capital raising cost	(5,352)	-	-	-	(5,352)
Shares issued	162,524	-	-	-	162,524
Exercise of options	442	-	-	-	442
Share-based payment	-	-	3,131	-	3,131
<b>At 30 June 2009</b>	<b>556,032</b>	<b>(15,367)</b>	<b>17,641</b>	<b>(1,835)</b>	<b>556,471</b>

# NOTES TO THE CONSOLIDATED FINANCIAL REPORT

For the year ended 30 June 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Corporate information

The financial report of the Company for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 13 August 2009.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Consolidated Entity are the mining of hematite deposits at Talling Peak and Koolan Island, construction and development of the Extension Hill project, and exploration and development of hematite deposits in the Mid-West region of Western Australia.

The address of the registered office is Level 1, 7 Havelock Street, West Perth, WA, 6005.

### (b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities.

The financial statements of controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Investments in controlled entities are carried in the balance sheet of the Company at cost less impairment losses, if any.

### (d) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### (e) New accounting standards and interpretations

From 1 July 2008 the Consolidated Entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The following standards and interpretations have also been adopted from 1 July 2008:

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*

The Consolidated Entity has not elected to early adopt any new standards or amendments.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the period ended 30 June 2009. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree’s net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p> <p>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.</p> <p>The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].</p>	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	<p>This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.</p> <p>Refer to AASB 2008-5 above for more details.</p>	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity’s separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	1 July 2009

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> <li>quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</li> <li>inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and</li> <li>inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRSs</i>. The amendments pertaining to IFRS 5, 8, IAS 1, 7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).</p>	1 July 2009	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRSs</i>. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).</p>	1 January 2010	1 July 2010
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	<p>The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:</p> <ul style="list-style-type: none"> <li>the scope of AASB 2; and</li> <li>the interaction between IFRS 2 and other standards.</li> </ul> <p>An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p> <p>A "group" has the same meaning as in IAS 27 <i>Consolidated and Separate Financial Statements</i>, that is, it includes only a parent and its subsidiaries.</p> <p>The amendments also incorporate guidance previously included in IFRIC 8 <i>Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions</i>. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.</p>	1 January 2010	1 July 2010

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian controlled entities is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such exchange differences are taken to the income statement in the consolidated financial report.

#### (g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (h) Trade and other receivables

Trade receivables are recognised and carried at amortised cost less any allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An allowance for impairment of trade receivables is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency and default in payment. Any impairment is recognised in the income statement.

All sales revenue is invoiced and received in US dollars.

Generally, on presentation of shiploading documents and provisional invoice, the customer settles 90%-95% of the provisional sales invoice value within 10 days of receipt of shiploading documents and provisional invoice and the remaining 5%-10% is settled within 30 days of presentation of the final invoice. The final price is adjusted based on the final analyses of weight, chemical and physical composition, and moisture content.

#### (i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost comprises direct material, labour and expenditure in getting such inventories to their existing location and condition, based on weighted average costs incurred during the period in which such inventories were produced.

Consumable materials for plant and equipment are recognised as inventory. Consumable stocks are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (j) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

##### Depreciation

The cost of owned property, plant and equipment directly engaged in mining operations is written off over its expected economic life on a units-of-production method, in the establishment of which, due regard is given to the life of the related area of interest. Plant and equipment under hire purchase or finance lease directly engaged in mining operations is written down to its residual value over the period of the hire purchase or finance lease. Other assets which are depreciated or amortised on a basis other than the units-of-production method typically are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

• Buildings	5 - 20 years
• Motor vehicles	4 - 5 years
• Office equipment	3 - 5 years
• Leasehold improvements	Shorter of lease term or useful life of 5 - 10 years
• Koolan Island major fleet hire purchase	5 years

##### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

##### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**(k) Mine properties**

Mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Consolidated Entity in relation to areas of interest in which mining of mineral resource has commenced. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on the units-of-production method, with separate calculations being made for each mineral resource. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources are taken into account in determining amortisation charges. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus where appropriate, a portion of measured resources).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of the expenditure not yet amortised exceed its estimated recoverable amount in any year, the excess is written off to the income statement.

**(l) Acquisition, exploration, evaluation and development costs***Acquisition costs*

Exploration and evaluation costs arising from acquisitions are carried forward where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

*Exploration and evaluation costs*

Costs arising from exploration and evaluation activities are expensed as incurred, except where, at balance date, it is expected that the expenditure will be recouped by future exploitation or sale of the area of interest, in which case the expenditure is capitalised.

*Development costs*

Costs arising from development activities are capitalised as incurred to the extent that such costs, together with any costs arising from acquisition, exploration and evaluation carried forward in respect of the area of interest, are expected to be recouped through future exploitation or sale of the area of interest.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas; the value of the area of interest is written off to the income statement or provided against.

**(m) Rehabilitation costs**

Long-term environmental obligations are based on the Consolidated Entity's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and amortised over the remaining lives of the area of interest.

Annual increases in the provision relating to the change in the net present value of the provision are accounted for in the income statement as borrowing costs.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets.

**(n) Recoverable amount of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Recoverable amount is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less cost to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(o) Financial assets**

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'loans and receivables', and 'available-for-sale financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *[i] Held-to-maturity investments*

Commercial bills and bonds with fixed or determinable payments and fixed maturity dates that the Consolidated Entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

#### *[ii] Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest rate method, less impairment. Interest is recognised by applying the effective interest rate method.

#### *[iii] Available-for-sale financial assets*

Available-for-sale financial assets are non derivatives that are either designated as available for sale or not classified in any of the other categories. They are included in Non-Current Assets unless the Consolidated Entity intends to dispose of the investment within 12 months of the balance sheet date.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

#### **(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services

#### **(q) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised.

#### **(r) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends have been declared, determined or publicly recommended on or before the reporting date.

#### **(s) Share-based payment transactions**

The Consolidated Entity provides benefits to employees (including directors) of the Consolidated Entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("**equity-settled transactions**").

##### *Options*

There is currently a Directors, Officers, Employees and Other Permitted Persons option plan.

The cost of these options is measured by reference to their fair value at the date at which they are granted. The fair value is determined by using a binomial model.

In valuing these options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

##### *Performance rights*

There is a Mount Gibson Iron Limited Performance Rights Plan ("PRP"). The PRP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives.

The cost of these performance rights is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Monte-Carlo simulation 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 awards that, in the opinion of the directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance 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 the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### **(t) Employee benefits**

##### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### *Superannuation*

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

#### **(u) Borrowing costs**

Borrowing costs are recognised as an expense when incurred except when borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

#### **(v) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

##### *Operating Leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

##### *Finance Leases*

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

#### **(w) Revenue**

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

##### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

##### *Interest*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (x) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### (y) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (z) Derivative financial instruments and hedging

The Consolidated Entity uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations and interest rate swaps to hedge against interest rate movements. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

##### *Cash flow hedges – forward foreign currency contracts*

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

The Consolidated Entity tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 50 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

At each balance date, the Consolidated Entity measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over hedged, the ineffective portion is taken immediately to other income or expense in the income statement.

**Cash flow hedges – interest rate swaps**

In relation to interest swaps hedged against variable rate borrowings, the settlement dates coincide with the dates on which interest is payable on the underlying debt. All interest rate swaps matched directly against the appropriate loans and interest expense are considered highly effective, and are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and reclassified into profit and loss when the interest expense is recognised. Any ineffective portion is taken to other expenses in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

**(aa) Financial instruments issued by the Consolidated Entity***[i] Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

*[ii] Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

**(bb) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends,
  - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and
  - other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(cc) Significant accounting judgements, estimates and assumptions**

Significant accounting judgements, estimates and assumptions have been made as follows:

*(i) Mine rehabilitation provision*

The Consolidated Entity assesses its mine rehabilitation provision annually in accordance with the accounting policy stated in Note 1(m). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such difference will impact the mine rehabilitation provision in the period in which they change or become known.

*(ii) Units of production method of depreciation*

The Consolidated Entity applies the units of production method of depreciation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and resources and the production capacity of the operations to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Consolidated Entity's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. The Consolidated Entity uses economically recoverable mineral resources (comprising proven and probable reserves plus where appropriate, a portion of measured resources) to depreciate assets on a unit of production basis. However, where a mineral property has been acquired and an amount has been attributed to the fair value of resources not yet designated as reserves the additional resources have been taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

*(iii) Determination of mineral resources and ore reserves*

The Consolidated Entity estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code'). The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in the reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (iv) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

#### (v) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

#### (vi) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction,
- Future production levels,
- Future commodity prices, and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

#### (vii) Deferred Waste

The Consolidated Entity has adopted a policy of deferring all waste development costs and amortising them in accordance with the accounting policy 1(k). Significant judgement is required in determining this ratio for each mine. Factors that are considered include:

- Any proposed changes in the design of the mine,
- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction,
- Future production levels,
- Future commodity prices, and
- Future cash costs of production and capital expenditure.

#### (viii) Recoverability of potential deferred income tax assets

The Consolidated Entity recognises deferred income tax assets in respect of tax losses to the extent that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Consolidated Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

#### (ix) Share-based payment transactions

The Consolidated Entity 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 and applying an estimated probability that they will vest. The fair value is determined by an external valuer using a binomial model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### (x) Financial guarantees

The fair value of financial guarantee contracts has been assessed using the interest differential approach.

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>2. REVENUE AND EXPENSES</b>					
<b>[a] Revenue</b>					
Sale of ore		484,297	409,349	-	-
Realised gain/(loss) on foreign exchange hedges		(58,854)	23,325	-	-
		425,443	432,674	-	-
<i>Other revenue</i>					
Finance income – other persons/corporations		6,287	2,500	363	247
Finance income – intercompany loans		-	-	10,856	3,465
		<b>6,287</b>	<b>2,500</b>	<b>11,219</b>	<b>3,712</b>
<b>[b] Other income</b>					
Realised gain on foreign exchange		-	664	-	-
Net gain on sale of plant and equipment		45	54	-	-
Net unrealised gain on foreign exchange		-	3,163	-	-
		<b>45</b>	<b>3,881</b>	<b>-</b>	<b>-</b>
<b>[c] Finance costs</b>					
Finance charges on loans		10,253	11,142	9,666	9,488
Finance charges payable under finance leases		5,548	4,353	-	-
		15,801	15,495	9,666	9,488
Unwinding of discount on rehabilitation provision		1,224	-	-	-
		<b>17,025</b>	<b>15,495</b>	<b>9,666</b>	<b>9,488</b>
<b>[d] Cost of Sales</b>					
Mining costs		242,735	216,624	-	-
Mining waste costs deferred	14	(249,860)	(223,113)	-	-
Amortisation of mining waste costs deferred	14	174,847	135,989	-	-
Amortisation of other mine properties	14	26,857	29,358	-	-
Crushing costs		21,880	20,134	-	-
Transport costs		30,373	29,010	-	-
Port costs		16,018	13,249	-	-
Royalties		34,893	31,048	-	-
Depreciation		28,820	24,714	-	-
Net ore inventory movement		(33,066)	(32,378)	-	-
		<b>293,497</b>	<b>244,635</b>	<b>-</b>	<b>-</b>
<b>[e] Administration Expenses include</b>					
Depreciation		339	294	-	-
Share-based payments expense		3,131	5,599	-	-
Bad debts written off		8	-	-	-
Net loss on disposal of available-for-sale-financial-assets		-	3	-	-
Net realised loss on foreign exchange		98	-	-	-
Net unrealised loss on foreign exchange		9,557	-	-	-
<b>[f] Cost of Sales and Administration expenses above include</b>					
Salaries, wages expense and other employee benefits		37,123	29,312	-	-
Operating lease rental – minimum lease payments		15,885	25,988	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>3. INCOME TAX</b>					
Major components of income tax expense for the years ended 30 June 2009 and 2008 are:					
<b>Income Statement</b>					
<i>Current income tax</i>					
Current income tax charge		-	-	-	-
<i>Deferred income tax</i>					
Relating to origination and reversal of temporary differences		19,091	50,513	(1,139)	(2,742)
Benefit from previously unrecognised tax loss used to reduce deferred tax expense/temporary differences		-	-	-	-
<b>Income tax expense/(benefit) reported in income statement</b>		<b>19,091</b>	<b>50,513</b>	<b>(1,139)</b>	<b>(2,742)</b>
<b>Statement of Changes in Equity</b>					
<i>Current income tax</i>					
Current income tax on exchange difference on loan		-	-	-	-
<i>Deferred income tax</i>					
Capital raising costs		(868)	(48)	(1,221)	(64)
Remeasurement of foreign exchange contracts		(7,933)	5,590	-	-
Interest rate swap contracts		(1,138)	352	(1,138)	352
<b>Deferred income tax (benefit)/liability reported in equity</b>		<b>(9,939)</b>	<b>5,894</b>	<b>(2,359)</b>	<b>288</b>
<b>Reconciliation of income tax expense/(benefit)</b>					
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2009 and 2008 is as follows:					
<b>Accounting profit/(loss) before income tax</b>		<b>61,709</b>	<b>163,857</b>	<b>(4,200)</b>	<b>(8,488)</b>
• At the statutory income tax rate of 30% (2008: 30%)		18,513	49,157	(1,260)	(2,546)
• Temporary differences not brought to account as a deferred tax asset		506	1	506	1
• Expenditure not allowed for income tax purposes		950	1,683	-	-
• Adjustments in respect of deferred income tax of previous years		-	233	-	(124)
• Other		(806)	(561)	(385)	(73)
• Temporary investment allowance		(72)	-	-	-
<b>Income tax expense/(benefit)</b>		<b>19,091</b>	<b>50,513</b>	<b>(1,139)</b>	<b>(2,742)</b>
Effective income tax rate		30.9%	30.8%	(27.1%)	(32.3%)
<b>Income tax expense/(benefit) reported in income statement</b>		<b>19,091</b>	<b>50,513</b>	<b>(1,139)</b>	<b>(2,742)</b>

### Tax Consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Mount Gibson Iron Limited.

### Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities' intercompany accounts with the tax consolidated group head company, Mount Gibson Iron Limited. In this regard the Company has assumed the benefit of tax losses from controlled entities in the current year of \$17,670,487 (2008: \$14,492,208) as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Consolidated</b>						
Accrued liabilities	(204)	(174)	-	-	(204)	(174)
Borrowing costs	(560)	(1,009)	-	-	(560)	(1,009)
Capital raising costs	(6,184)	(6,392)	-	-	(6,184)	(6,392)
Deferred income	-	-	28,055	40,863	28,055	40,863
Allowance for doubtful debts	(4,574)	-	-	-	(4,574)	-
Exploration expenditure	-	-	4,113	3,464	4,113	3,464
Foreign exchange contracts	(8,552)	(327)	809	8,387	(7,743)	8,060
Interest rate swaps	(899)	(103)	52	468	(847)	365
Interest receivable	-	-	623	268	623	268
Inventory	-	-	1,636	1,121	1,636	1,121
Lease liability	(3,205)	(4,284)	-	-	(3,205)	(4,284)
Mine properties	-	-	75,595	51,524	75,595	51,524
Prepaid expenditure	-	-	22	16	22	16
Property, plant and equipment	-	-	10,217	10,249	10,217	10,249
Provisions	(6,238)	(6,298)	-	-	(6,238)	(6,298)
Tax losses	(37,022)	(53,241)	-	-	(37,022)	(53,241)
Tax (assets) liabilities	(67,438)	(71,828)	121,122	116,360	53,684	44,532
Set off of tax	67,438	71,828	(67,438)	(71,828)	-	-
<b>Net tax (assets) liabilities</b>	<b>-</b>	<b>-</b>	<b>53,684</b>	<b>44,532</b>	<b>53,684</b>	<b>44,532</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 3. INCOME TAX (CONTINUED)

	Balance 1 July 2007 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2008 \$'000
Movement in temporary differences during the financial year ended 30 June 2008				
Accrued liabilities	(131)	(43)	-	(174)
Borrowing costs	(718)	(291)	-	(1,009)
Capital raising costs	(10,036)	3,692	(48)	(6,392)
Deferred income	7,825	33,038	-	40,863
Doubtful debts provision	(105)	105	-	-
Exploration expenditure	2,709	755	-	3,464
Foreign exchange contracts	2,061	409	5,590	8,060
Interest rate swaps	-	13	352	365
Interest receivable	427	(159)	-	268
Inventory	396	725	-	1,121
Lease liability	(999)	(3,285)	-	(4,284)
Mine properties	24,991	26,533	-	51,524
Prepaid expenditure	4	12	-	16
Property, plant and equipment	4,266	5,983	-	10,249
Provisions	(5,893)	(405)	-	(6,298)
Tax losses	(36,672)	(16,569)	-	(53,241)
	<b>(11,875)</b>	<b>50,513</b>	<b>5,894</b>	<b>44,532</b>

	Balance 1 July 2008 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2009 \$'000
Movement in temporary differences during the financial year ended 30 June 2009				
Accrued liabilities	(174)	(30)	-	(204)
Borrowing costs	(1,009)	449	-	(560)
Capital raising costs	(6,392)	1,076	(868)	(6,184)
Deferred income	40,863	(12,808)	-	28,055
Doubtful debts provision	-	(4,574)	-	(4,574)
Exploration expenditure	3,464	649	-	4,113
Foreign exchange contracts	8,060	(7,870)	(7,933)	(7,743)
Interest rate swaps	365	(74)	(1,138)	(847)
Interest receivable	268	355	-	623
Inventory	1,121	515	-	1,636
Lease liability	(4,284)	1,079	-	(3,205)
Mine properties	51,524	24,071	-	75,595
Prepaid expenditure	16	6	-	22
Property, plant and equipment	10,249	(32)	-	10,217
Provisions	(6,298)	60	-	(6,238)
Tax losses	(53,241)	16,219	-	(37,022)
	<b>44,532</b>	<b>19,091</b>	<b>(9,939)</b>	<b>53,684</b>

	Assets		Liabilities		Net	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Company</b>						
Accrued liabilities	(44)	(45)	-	-	(44)	(45)
Borrowing costs	(273)	(510)	-	-	(273)	(510)
Capital raising costs	(1,490)	(364)	-	-	(1,490)	(364)
Doubtful debts provision	-	(43)	-	-	-	(43)
Interest rate swaps	(899)	(103)	52	468	(847)	365
Interest receivable	-	-	60	-	60	-
Tax losses	(37,073)	(53,243)	-	-	(37,073)	(53,243)
Tax (assets) liabilities	(39,779)	(54,308)	112	468	(39,667)	(53,840)
Set off of tax	112	468	(112)	(468)	-	-
<b>Net tax (assets) liabilities</b>	<b>(39,667)</b>	<b>(53,840)</b>	<b>-</b>	<b>-</b>	<b>(39,667)</b>	<b>(53,840)</b>

	Balance 1 July 2007 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Transfers Out (In) \$'000	Balance 30 June 2008 \$'000
Movement in temporary differences during the financial year ended 30 June 2008					
Accrued liabilities	(37)	(8)	-	-	(45)
Borrowing costs	(6)	(504)	-	-	(510)
Capital raising costs	(136)	(164)	(64)	-	(364)
Provisions	(43)	-	-	-	(43)
Interest rate swaps	-	13	352	-	365
Tax losses	(36,672)	(2,079)	-	(14,492)	(53,243)
	<b>(36,894)</b>	<b>(2,742)</b>	<b>288</b>	<b>(14,492)</b>	<b>(53,840)</b>

	Balance 1 July 2008 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Transfers Out (In) \$'000	Balance 30 June 2009 \$'000
Movement in temporary differences during the financial year ended 30 June 2009					
Accrued liabilities	(45)	1	-	-	(44)
Borrowing costs	(510)	237	-	-	(273)
Capital raising costs	(364)	95	(1,221)	-	(1,490)
Provisions	(43)	43	-	-	-
Interest rate swaps	365	(74)	(1,138)	-	(847)
Interest receivable	-	60	-	-	60
Tax losses	(53,243)	(1,501)	-	17,671	(37,073)
	<b>(53,840)</b>	<b>(1,139)</b>	<b>(2,359)</b>	<b>17,671</b>	<b>(39,667)</b>

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Unrecognised deferred tax assets</b>					
Deferred tax assets have not been recognised in respect of the following items:					
Provision for write down of investments		965	624	965	624
Tax losses		311	311	311	311
		<b>1,276</b>	<b>935</b>	<b>1,276</b>	<b>935</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES		CONSOLIDATED		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000		
<b>4. CASH AND CASH EQUIVALENTS</b>						
Cash at bank and in hand	27,966	33,930	4,538	4,562		
Short-term deposits	194,207	14,728	-	-		
	<b>222,173</b>	<b>48,658</b>	<b>4,538</b>	<b>4,562</b>		
Cash at bank earns interest at floating rates based on daily bank deposit rates.						
Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.						
<b>[a] Reconciliation of cash</b>						
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:						
Cash at bank and in hand	27,966	33,930	4,538	4,562		
Short-term deposits	194,207	14,728	-	-		
	<b>222,173</b>	<b>48,658</b>	<b>4,538</b>	<b>4,562</b>		
<b>[b] Reconciliation of the net profit/(loss) after tax to the net cash flows from operations</b>						
Net profit/(loss) after tax	42,618	113,344	(3,061)	(5,746)		
<i>Adjustments for:</i>						
Depreciation of non-current assets	29,159	25,008	-	-		
Amortisation of deferred waste	174,847	135,989	-	-		
Amortisation of other mine properties	26,857	29,358	-	-		
Net (profit)/loss on disposal of property, plant and equipment	(45)	(54)	-	-		
Net exchange differences	14,625	(502)	1,215	(287)		
Interest received	(6,287)	(2,500)	(363)	(247)		
Exploration expenses written off	24	38	-	-		
Share based payments	3,131	5,599	-	-		
Intra-group interest income	-	-	(10,856)	(3,465)		
Unwinding of rehabilitation provision	1,224	-	-	-		
Impairment of investments	1,685	-	1,685	-		
Allowance for doubtful debts	15,247	-	-	-		
Borrowing costs	2,488	2,481	2,364	2,345		
Net loss on disposal of available-for-sale financial assets	-	3	-	3		
Capitalised expenses	12,991	(5,319)	(971)	-		
<i>Changes in assets and liabilities</i>						
(Increase)/decrease in trade and other receivables	52,720	(74,468)	7	27		
(Increase) in inventory	(40,312)	(36,867)	-	-		
(Increase)/decrease in prepayments and deposits	(82)	(837)	1	1		
(Increase) in capitalised deferred waste	(249,860)	(223,113)	-	-		
Increase/(decrease) in creditors and accruals	(1,229)	25,883	(181)	1,002		
Increase/(decrease) in GST paid	(75)	459	-	190		
Increase/(decrease) in deferred income tax liabilities	19,091	50,513	(1,139)	(2,742)		
Increase in employee benefits	671	738	-	-		
<b>Net Cash Flow (used in)/from Operating Activities</b>	<b>99,488</b>	<b>45,753</b>	<b>(11,299)</b>	<b>(8,919)</b>		
<b>[c] Non-cash financing activities</b>						
During the financial year, the Consolidated Entity acquired property, plant and equipment with an aggregate fair value of \$14,508,222 (2008: \$6,860,022) by means of finance leases and hire purchase agreements. During the financial year, the Consolidated Entity disposed of property, plant and equipment with an aggregate fair value of \$36,500 (2008: \$1,320,021) that were financed by means of finance leases.						

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

## 5. TRADE AND OTHER RECEIVABLES

### Current

Trade debtors	[a][i]	26,727	78,493	-	-
Allowance for impairment	[b]	(15,247)	-	-	-
		11,480	78,493	-	-
Sundry debtors	[a][ii]	2,298	1,522	201	-
Convertible note receivable	[a][iv]	1,000	-	1,000	-
Other receivables		2,446	3,421	29	38
		<b>17,224</b>	<b>83,436</b>	<b>1,230</b>	<b>38</b>

### Non-Current

Other receivables – controlled entities	[a][iii]	-	-	274,227	116,092
Allowance for impairment		-	-	-	(145)
Convertible note receivable	[a][iv]	-	1,000	-	1,000
		-	<b>1,000</b>	<b>274,227</b>	<b>116,947</b>

### [a] Terms and conditions

Terms and conditions relating to the above financial instruments:

- [i] Details of terms and conditions of trade debtors and credit sales are set out in note 1(h).
- [ii] Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.
- [iii] Except for amounts payable by Mount Gibson Mining Limited of \$236,426,084 on which interest is charged at 7% pa, receivables from controlled entities are non-interest bearing with no fixed repayment date and are repayable on demand.
- [iv] Convertible note held in Resources Mining Corporation Limited, convertible into 31,250,000 ordinary shares. The convertible note is unsecured, interest free and due on 19 December 2009.

### [b] Impaired or past due financial assets

An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. At 30 June 2009, trade debtors of \$15,247,130 (2008: \$ nil) in the Consolidated Entity and \$nil (2008: \$nil) in the Company were impaired. This impaired amount is owed by Sinom (Hong Kong) Limited for iron ore sales in the period 1 April 2008 to 30 June 2008. The amount owing relates to the Hamersley benchmark price increase adjustment from 1 April 2008 that was announced on 24 June 2008 after the sales had already occurred. The Consolidated Entity has commenced legal proceedings in Hong Kong and arbitration proceedings in Australia to recover the debt owing by Sinom (Hong Kong) Limited.

At 30 June 2009, trade debtors of \$1,550,137 (2008: \$348,111) in the Consolidated Entity and \$nil (2008: \$10,000) in the Company were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and other indicators of impairment.

With respect to trade debtors that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

Movements in the allowance for impairment were as follows:

Balance at the beginning of the year		-	350	-	-
Charge for the year		15,247	-	-	-
Amounts written off		-	(350)	-	-
Balance at the end of the year		15,247	-	-	-

The ageing of debtors past due but not impaired is as follows:

Less than 30 days overdue		-	-	-	-
Between 30 and 60 days overdue		402	280	-	-
Between 60 and 90 days overdue		592	23	-	-
Greater than 90 days overdue		556	45	-	-
		<b>1,550</b>	<b>348</b>	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>6. INVENTORIES</b>					
Consumables – at cost		16,719	9,473	-	-
Ore – at cost		95,041	61,975	-	-
		<b>111,760</b>	<b>71,448</b>	-	-
<b>7. DERIVATIVE FINANCIAL ASSETS</b>					
<b>Current</b>					
Foreign currency forward contracts and options	32[b][i]	1,902	23,602	-	-
Interest rate swap contracts	32[c][i]	175	1,559	175	1,559
		<b>2,077</b>	<b>25,161</b>	<b>175</b>	<b>1,559</b>
<b>Non-Current</b>					
Foreign currency forward contracts and options	32[b][i]	147	-	-	-
		<b>147</b>	-	-	-
<b>8. OTHER ASSETS</b>					
<b>Current</b>					
Cash backed performance bonds		15,107	-	15,107	-
		<b>15,107</b>	-	<b>15,107</b>	-
On satisfaction of the conditions precedent to the Amended Facility Agreement referred to in note 16(c), the cash backed performance bonds will be reduced to \$nil and the full amount in cash will be returned to the Consolidated Entity.					
<b>9. AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>					
Shares – listed at fair value		-	1,113	-	1,113
		-	<b>1,113</b>	-	<b>1,113</b>
Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.					
<b>10. OTHER FINANCIAL ASSETS</b>					
<b>Non-Current</b>					
Investments in controlled entities – at cost		-	-	<b>347,640</b>	<b>344,509</b>

Name	Country of Incorporation	Percentage of Equity Interest Held by the Consolidated Entity		Investment	
		2009 %	2008 %	2009 \$'000	2008 \$'000
Mount Gibson Mining Limited	Australia	100	100	29,318	26,187
WHTK Pty Ltd	Australia	100	100	-	-
Geraldton Bulk Handling Pty Ltd	Australia	100	100	-	-
Aztec Resources Limited	Australia	100	100	318,322	318,322
• Koolan Iron Ore Pty Ltd	Australia	100	100	-	-
• Koolan Shipping Pty Ltd	Australia	100	100	-	-
• Brockman Minerals Pty Ltd	Australia	100	100	-	-
				<b>347,640</b>	<b>344,509</b>

## 11. INTEREST IN SUBSIDIARIES

### Entities subject to Class Order relief

Pursuant to Class Order 98/1418, relief has been granted to Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Mount Gibson Iron Limited, Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd ("Closed Group") entered into a Deed of Cross Guarantee on 1 May 2008. The effect of this deed is that Mount Gibson Iron Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Mount Gibson Iron Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated income statement and balance sheet of the Closed Group are as follows:

### Consolidated Income Statement of the Closed Group

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
<b>Continuing operations</b>		
Sale of goods	425,443	432,674
Other revenue	6,273	2,476
<b>Total revenue</b>	<b>431,716</b>	<b>435,150</b>
Cost of sales	(284,422)	(239,786)
<b>Gross profit</b>	<b>147,294</b>	<b>195,364</b>
Other income	45	3,880
Administration expenses	(42,584)	(15,013)
Doubtful debts provision	(15,247)	-
Impairment of available-for-sale financial assets	(1,685)	-
Exploration expenses	(30)	(36)
<b>Profit from continuing operations before tax and finance costs</b>	<b>87,793</b>	<b>184,195</b>
Finance costs	(16,926)	(15,495)
<b>Profit from continuing operations before income tax</b>	<b>70,867</b>	<b>168,700</b>
Income tax (expense)	(21,838)	(51,966)
<b>Net profit after tax attributable to members of the company</b>	<b>49,029</b>	<b>116,734</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	CONSOLIDATED	
	2009	2008
	\$'000	\$'000
<b>11. INTEREST IN SUBSIDIARIES (CONTINUED)</b>		
<b>Consolidated Balance Sheet of the Closed Group</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	220,802	47,679
Trade and other receivables	16,417	82,662
Inventories	111,760	71,448
Prepayments	2,300	1,569
Derivative financial assets	2,077	25,161
Other assets	15,107	-
<b>Total current assets</b>	<b>368,463</b>	<b>228,519</b>
<b>Non-current assets</b>		
Available for sale financial assets	-	1,113
Other receivables	13,747	11,699
Derivative financial assets	147	-
Property, plant and equipment	180,552	184,710
Deferred acquisition, exploration, evaluation and development costs	53,784	25,919
Mine properties	503,748	447,141
<b>Total non-current assets</b>	<b>751,978</b>	<b>670,582</b>
<b>Total assets</b>	<b>1,120,441</b>	<b>899,101</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	69,199	71,520
Interest-bearing loans and borrowings	112,508	12,415
Derivative financial liabilities	14,356	342
Provisions	2,392	1,827
<b>Total current liabilities</b>	<b>198,455</b>	<b>86,104</b>
<b>Non-current liabilities</b>		
Provisions	18,300	19,112
Interest-bearing loans and borrowings	49,080	145,858
Derivative financial liabilities	6,942	-
Deferred income tax liabilities	53,527	43,939
<b>Total non-current liabilities</b>	<b>127,849</b>	<b>208,909</b>
<b>Total liabilities</b>	<b>326,304</b>	<b>295,013</b>
<b>Net assets</b>	<b>794,137</b>	<b>604,088</b>
<b>EQUITY</b>		
Issued capital	556,032	397,197
Retained earnings	227,479	178,450
Reserves	10,626	28,441
<b>Total equity</b>	<b>794,137</b>	<b>604,088</b>

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>					
Freehold-land - at cost		5	5	5	5
Plant and equipment – at cost		86,968	82,670	-	-
Accumulated depreciation		(21,438)	(12,553)	-	-
		<b>65,530</b>	<b>70,117</b>	-	-
Plant and equipment under lease – at cost		97,497	83,545	-	-
Accumulated depreciation		(31,595)	(17,078)	-	-
		<b>65,902</b>	<b>66,467</b>	-	-
Buildings – at cost		55,783	48,923	-	-
Accumulated depreciation		(12,629)	(7,341)	-	-
		<b>43,154</b>	<b>41,582</b>	-	-
Buildings under lease – at cost		522	522	-	-
Accumulated depreciation		(369)	(340)	-	-
		<b>153</b>	<b>182</b>	-	-
Capital works in progress – at cost		9,761	10,144	-	-
<b>Total property, plant and equipment</b>					
At cost		250,536	225,809	5	5
Total accumulated depreciation		(66,031)	(37,312)	-	-
		<b>184,505</b>	<b>188,497</b>	<b>5</b>	<b>5</b>
<b>[a] Assets pledged as security</b>					
The value of assets pledged as security are:					
Land		5	5	-	-
Plant and equipment		65,530	70,117	-	-
Plant and equipment under lease		65,902	66,467	-	-
Buildings		43,154	41,582	-	-
Buildings under lease		153	182	-	-
Capital work in progress		9,761	10,144	-	-
		<b>184,505</b>	<b>188,497</b>	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### [b] Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year:

##### *Plant and equipment*

Carrying amount at the beginning of the year	70,117	87,934	-	-
Additions	3,377	7,775	-	-
Transfers	921	(16,603)	-	-
Disposals	-	(87)	-	-
Depreciation expense	(8,885)	(8,902)	-	-
<b>Carrying amount at the end of the year</b>	<b>65,530</b>	<b>70,117</b>	-	-

##### *Plant and equipment under lease*

Carrying amount at the beginning of the year	66,467	70,836	-	-
Additions	14,509	6,860	-	-
Disposals	(37)	(436)	-	-
Depreciation expense	(15,037)	(10,793)	-	-
<b>Carrying amount at the end of the year</b>	<b>65,902</b>	<b>66,467</b>	-	-

##### *Buildings*

Carrying amount at the beginning of the year	41,582	28,192	-	-
Additions	1,644	2,151	-	-
Transfers	5,216	16,603	-	-
Disposals	-	(83)	-	-
Depreciation expense	(5,288)	(5,281)	-	-
<b>Carrying amount at the end of the year</b>	<b>43,154</b>	<b>41,582</b>	-	-

##### *Buildings under lease*

Carrying amount at the beginning of the year	182	230	-	-
Depreciation expense	(29)	(48)	-	-
<b>Carrying amount at the end of the year</b>	<b>153</b>	<b>182</b>	-	-

##### *Capital works in progress*

Carrying amount at the beginning of the year	10,144	571	-	-
Additions	5,754	9,573	-	-
Transfers	(6,137)	-	-	-
<b>Carrying amount at the end of the year</b>	<b>9,761</b>	<b>10,144</b>	-	-

### 13. DEFERRED ACQUISITION, EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Deferred acquisition, exploration, evaluation and development costs carried forward in respect of mining areas of interest:

Extension Hill Hematite	48,390	22,692	-	-
Koolan Island	5,394	3,227	-	-
	<b>53,784</b>	<b>25,919</b>	-	-

#### Reconciliation

Carrying amount at beginning of the year	25,919	9,027	-	-
Additions	27,889	16,930	-	-
Exploration expenditure written off	(24)	(38)	-	-
<b>Carrying amount at the end of the year</b>	<b>53,784</b>	<b>25,919</b>	-	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of costs carried forward for the development phase is not recognised pending commencement of production.

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>14. MINE PROPERTIES</b>					
Mine development expenditure		969,575	711,267	-	-
Accumulated amortisation		(465,736)	(264,032)	-	-
		<b>503,839</b>	<b>447,235</b>	<b>-</b>	<b>-</b>
<b>Reconciliation</b>					
Carrying amount at beginning of the year		447,235	370,684	-	-
Additions		8,448	18,785	-	-
Deferred waste capitalised during the year	2[d]	249,860	223,113	-	-
Amortisation expensed – deferred waste	2[d]	(174,847)	(135,989)	-	-
Amortisation expensed – other	2[d]	(26,857)	(29,358)	-	-
<b>Carrying amount at the end of the year</b>		<b>503,839</b>	<b>447,235</b>	<b>-</b>	<b>-</b>
<b>15. TRADE AND OTHER PAYABLES</b>					
<b>Current</b>					
Trade creditors	[a]	25,392	25,709	303	418
Accruals and other payables	[a]	49,711	47,697	6,120	1,696
Other payables – controlled entities	[b]	-	-	18,519	18,861
		<b>75,103</b>	<b>73,406</b>	<b>24,942</b>	<b>20,975</b>

[a] Current trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms.

[b] Current payables to controlled entities are non-interest bearing with no fixed repayment date. The 2008 comparative has been reclassified from non-current liabilities to reflect the contractual terms of the arrangement.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>16. INTEREST-BEARING LOANS AND BORROWINGS</b>					
<b>Current</b>					
Lease liability	[a]	3,972	3,961	-	-
Hire purchase facility	[b]	10,357	8,454	-	-
Corporate Debt	[c]	105,000	-	105,000	-
Capitalised corporate debt facility costs		(6,821)	-	(6,821)	-
		<b>112,508</b>	<b>12,415</b>	<b>98,179</b>	<b>-</b>
<b>Non-Current</b>					
Lease liability	[a]	6,711	10,320	-	-
Hire purchase facility	[b]	42,369	33,931	-	-
Corporate Debt	[c]	-	105,000	-	105,000
Capitalised corporate debt facility costs		-	(3,393)	-	(3,393)
		<b>49,080</b>	<b>145,858</b>	<b>-</b>	<b>101,607</b>
<b>Financing facilities available</b>					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities:					
• Finance leases	[a]	10,683	14,281	-	-
• Hire purchase facility	[b]	52,726	42,385	-	-
• Contingent Instrument facility	[c]	25,000	25,000	25,000	25,000
• Corporate Debt	[c]	175,000	175,000	175,000	175,000
		<b>263,409</b>	<b>256,666</b>	<b>200,000</b>	<b>200,000</b>
<b>Facilities used at reporting date:</b>					
• Finance leases		10,683	14,281	-	-
• Hire purchase facility		52,726	42,385	-	-
• Contingent Instrument facility		16,704	13,816	16,704	13,184
• Corporate Debt		105,000	105,000	105,000	105,000
		<b>185,113</b>	<b>175,482</b>	<b>121,704</b>	<b>118,184</b>
<b>Facilities unused at reporting date:</b>					
• Finance leases		-	-	-	-
• Hire purchase facility		-	-	-	-
• Contingent Instrument facility		8,296	11,184	8,296	11,816
• Corporate Debt		70,000	70,000	70,000	70,000
		<b>78,296</b>	<b>81,184</b>	<b>78,296</b>	<b>81,816</b>

Terms and conditions relating to the above financial facilities:

**[a] Finance Lease Facility**

Finance leases are repayable monthly with final instalments due in July 2012. Interest is charged at an average rate of 8.82%. Secured by first mortgage over the leased assets.

**[b] Hire Purchase Facility**

Hire purchase arrangements have been entered into by Koolan Iron Ore Pty Ltd via a Master Lease agreement with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited (NAB). Hire purchase amounts are repayable monthly with final instalments due in August 2013. Interest is charged at an average rate of 7.61%. Secured by first mortgage over the assets the subject of the hire purchase agreement and a guarantee from Mount Gibson Iron Limited. This facility is drawn and repayable in US\$ for Komatsu and A\$ for NAB.

**[c] Corporate Debt and Contingent Instrument Facility**

On 28 August 2007 the Company entered into a Facility Agreement with a Banking Syndicate for a \$200,000,000 debt facility to fund the refinance of the existing finance facilities and provide additional debt funding for the Koolan Island and Extension Hill iron ore developments.

At 30 June 2008 the \$200,000,000 facility consisted of:

- Senior debt facility of \$175,000,000 comprising 2 tranches:
  1. Tranche 1 of \$125,000,000,
  2. Extension Hill tranche of \$50,000,000 which was only drawable against the Extension Hill DSO project after certain conditions precedent have been satisfied including EPA approval and Company Board approval for the project to proceed. These conditions precedent to drawdown were satisfied on 23 September 2008, and
- Contingent Instrument facility of \$25,000,000 (including guarantees, performance bonds).

On 30 June 2009 the Company signed an Amended Facility Agreement to amend the Senior debt facility and Contingent Instrument facility as follows:

- Senior debt facility of \$105,000,000 with the following repayment schedule:
  - \$25,000,000 on 30 September 2010,
  - \$25,000,000 on 30 December 2010,
  - \$25,000,000 on 31 March 2011,
  - \$30,000,000 on 30 June 2011, and
- Contingent Instrument facility of \$65,000,000 (including guarantees, performance bonds) comprising 2 tranches:
  1. Tranche 1 for Koolan Island and Talling Peak of \$20,000,000,
  2. Tranche 2 for Extension Hill of \$45,000,000.

The final condition precedent of the Amended Facility Agreement is expected to be satisfied in August 2009. As all conditions precedent had not been satisfied under the Amended Facility Agreement at 30 June 2009, the Corporate Debt facility of \$105,000,000 has been recorded as a current liability.

The security pledge for these facilities is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite at Extension Hill.

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

## 17. DERIVATIVE FINANCIAL LIABILITIES

### Current

Foreign currency forward contracts and options	32[b][i]	11,359	-	-	-
Interest rate swap contracts	32[c][i]	2,997	342	2,997	342
		<b>14,356</b>	<b>342</b>	<b>2,997</b>	<b>342</b>

### Non-Current

Foreign currency forward contracts and options	32[b][i]	6,942	-	-	-
		<b>6,942</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 18. PROVISIONS

### Current

Employee benefits		2,389	1,780	-	-
Road resealing		100	100	-	-
		<b>2,489</b>	<b>1,880</b>	<b>-</b>	<b>-</b>

### Non-Current

Employee benefits		120	59	-	-
Decommissioning rehabilitation		18,183	19,053	-	-
		<b>18,303</b>	<b>19,112</b>	<b>-</b>	<b>-</b>

### Movement in provisions:

#### Road Resealing

Carrying amount at beginning of the year		100	100	-	-
Provision for period		200	200	-	-
Amounts utilised during the period		(200)	(200)	-	-
<b>Carrying amount at end of the year</b>		<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>

#### Decommissioning Rehabilitation

Carrying amount at beginning of the year		19,053	18,442	-	-
Unwinding of discount on rehabilitation provision		1,224	-	-	-
Revaluation of rehabilitation provision		(2,094)	611	-	-
<b>Carrying amount at end of the year</b>		<b>18,183</b>	<b>19,053</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

### 19. ISSUED CAPITAL

#### [a] Ordinary shares

Issued and fully paid		556,032	397,197	556,032	397,197
-----------------------	--	---------	---------	---------	---------

	NOTES	2009		2008	
		Number of Shares	\$'000	Number of Shares	\$'000
<b>[b] Movement in ordinary shares on issue</b>					
Beginning of the financial year		803,840,821	397,197	787,786,821	386,766
Placement	[i]	110,000,000	66,000	-	-
Rights issue	[ii]	160,872,790	96,524	-	-
Exercise of options		515,000	442	16,054,000	10,367
Capital raising expenses		-	(5,352)	-	-
Deferred income tax on capital raising cost		-	1,221	-	64
<b>End of the financial year</b>		<b>1,075,228,611</b>	<b>556,032</b>	<b>803,840,821</b>	<b>397,197</b>

[i] 31 December 2008 - Placement to Shougang Concord of 110,000,000 ordinary shares at A\$0.60 per share to raise A\$66,000,000 (before expenses)

[ii] 12 January 2009 - 160,872,790 fully paid ordinary shares issued pursuant to a 1 for 5 fully underwritten renounceable rights issue at A\$0.60 per share to raise gross proceeds of A\$96,523,674 (before expenses)

#### [c] Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective from 1 July 1998, the Corporation legislation in place abolished the concept of authorised capital and par values. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

#### [d] Share options

As at balance date the following Options over unissued Shares were on issue:

Exercise Price	Vesting Date / Exercise Period	2009 Number	2008 Number
55 cents	Vested 31 Dec 2007 – exercise on or before 31 Dec 2008	-	100,000
78 cents	Vested 31 Dec 2007 – exercise on or before 31 Dec 2009	250,000	475,000
89 cents	Vested 31 Dec 2007 – exercise on or before 31 Dec 2009	1,621,000	2,646,000
299 cents	Vested 31 Dec 2008 – exercise on or before 31 Dec 2009	6,900,000	-
90 cents	Vested 1 July 2008 – exercise on or before 30 June 2010	2,000,000	2,000,000
90 cents	Vested on 24 Oct 2008 – exercise on or before 23 Oct 2010	3,000,000	3,000,000
110 cents	Vesting on 24 Oct 2010 – exercise on or before 23 Oct 2012	2,000,000	2,000,000
		<b>15,771,000</b>	<b>10,221,000</b>

In addition, as at 30 June 2009, there were nil (2008: 8,475,000) options granted but not issued under the Employee Share Scheme.

Share options carry no right to dividends and no voting rights.

#### [e] Performance rights

The Company has established the Mount Gibson Iron Limited Performance Rights Plan. The rights were granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return ("TSR") measured against the TSR of a comparator group of companies over the same period.

As at 30 June 2009 there were 888,759 performance rights on issue (2008: 282,942).

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>20. RESERVES</b>					
Option premium reserve	[a]	17,641	14,510	17,641	14,510
Net unrealised gains/(losses) reserve	[b]	(3,823)	16,772	(1,835)	249
Other reserves	[c]	(3,192)	(3,192)	-	-
		<b>10,626</b>	<b>28,090</b>	<b>15,806</b>	<b>14,759</b>
<b>[a] Option premium reserve</b>					
The option premium reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.					
Balance at the beginning of the year		14,510	8,911	14,510	8,911
Share based payments		3,131	5,599	3,131	5,599
<b>Balance at the end of the year</b>		<b>17,641</b>	<b>14,510</b>	<b>17,641</b>	<b>14,510</b>
<b>[b] Net unrealised gains/(losses) reserve</b>					
This reserve records movement for available-for-sale financial assets to fair value and gains and losses on hedging instruments determined to be effective cash flow hedges.					
Balance at the beginning of the year		16,772	3,963	249	283
Net unrealised gains/(losses) on available-for-sale financial assets		-	(856)	-	(856)
Impairment of available-for-sale financial assets		573	-	573	-
Net gains/(losses) on cash flow hedges		(30,239)	19,607	(3,795)	1,174
Deferred income tax on cash flow hedges		9,071	(5,942)	1,138	(352)
<b>Balance at the end of the year</b>		<b>(3,823)</b>	<b>16,772</b>	<b>(1,835)</b>	<b>249</b>
<b>[c] Other reserves</b>					
Consolidation reserve		(3,192)	(3,192)	-	-
		<b>(3,192)</b>	<b>(3,192)</b>	<b>-</b>	<b>-</b>
<b>21. RETAINED EARNINGS/(ACCUMULATED LOSSES)</b>					
Balance at the beginning of the year		171,205	57,861	(12,306)	(6,560)
Net profit/(loss) attributable to members of the Company		42,618	113,344	(3,061)	(5,746)
<b>Balance at the end of the year</b>		<b>213,823</b>	<b>171,205</b>	<b>(15,367)</b>	<b>(12,306)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>22. EXPENDITURE COMMITMENTS</b>					
<b>[a] Exploration Expenditure Commitments</b>	[i]				
Minimum obligations not provided for in the financial report and are payable:					
• Not later than one year		995	625	-	-
• Later than one year but not later than five years		2,327	2,237	-	-
		<b>3,322</b>	<b>2,862</b>	-	-
<b>[b] Operating Lease Commitments</b>	[ii]				
Minimum lease payments					
• Not later than one year		6,188	7,709	-	-
• Later than one year but not later than five years		1,599	4,885	-	-
		<b>7,787</b>	<b>12,594</b>	-	-
<b>[c] Finance Lease and Hire Purchase Commitments</b>	[iii]				
Minimum lease payments					
• Not later than one year		18,606	16,157	-	-
• Later than one year but not later than five years		54,137	50,277	-	-
• Later than five years		-	-	-	-
Total minimum lease payments		72,743	66,434	-	-
Future finance charges		(9,334)	(9,768)	-	-
		<b>63,409</b>	<b>56,666</b>	-	-
<b>Total lease liability accrued for:</b>					
<i>Current</i>					
Finance leases and hire purchase facility		14,329	12,415	-	-
<i>Non-Current</i>					
Finance leases and hire purchase facility		49,080	44,251	-	-
		<b>63,409</b>	<b>56,666</b>	-	-
<b>[d] Property, plant and equipment commitments</b>	[iv]				
Commitments contracted for at balance date but not recognised as liabilities					
• Not later than one year		30,649	66,820	-	-
• Later than one year but not later than five years		-	-	-	-
		<b>30,649</b>	<b>66,820</b>	-	-

[i] In order to maintain current rights to explore and mine the tenements at Talling Peak, Koolan Island, and Extension Hill the Consolidated Entity is required to perform minimum exploration work to meet the expenditure requirements specified by the Department of Mines and Petroleum.

[ii] Operating leases:

- operating lease for office space with an initial lease term of 5 years, and
- operating lease for machinery has an average term of 1.4 years and expires in November 2010.

[iii] Finance leases and hire purchases have an average term of 4.5 years with the option to purchase the asset at the completion of the lease term for a pre-agreed amount. The average discount rates implicit in the finance leases and hire purchases are 8.82% and 7.61% respectively. Secured lease liabilities are secured by a charge over the leased assets.

[iv] The Consolidated Entity had contractual commitments to purchase property, plant and equipment principally relating to:

- construction and development of the Extension Hill project of \$11,398,752, and
- Koolan Island Main Pit seawall, dewatering and footwall rehabilitation of \$18,349,910.

	NOTES	CONSOLIDATED		COMPANY	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

### 23. SHARE-BASED PAYMENT PLANS

#### (a) Recognised share-based payment expenses

Expense arising from equity-settled share-based payment transactions	2[e]	3,131	5,599	-	-
--	------	-------	-------	---	---

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2009 and 2008.

#### (b) Employee share scheme

An employee share scheme has been established where the Company may, at the discretion of the Board, grant options over the ordinary shares of the Company. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of the Company. All directors, officers and employees are eligible for this scheme.

Information with respect to the number of options granted and issued under the employee share scheme is as follows:

	2009		2008	
	No. of Options	Weighted average exercise price (cents)	No. of Options	Weighted average exercise price (cents)
Balance at beginning of year	10,221,000	92.8	17,000,000	70.3
- granted and issued	7,300,000	299.0	9,275,000	85.1
- forfeited	(1,235,000)	153.6	-	-
- exercised	(515,000)	85.8	(16,054,000)	64.6
<b>Balance at year end</b>	<b>15,771,000</b>	<b>183.7</b>	<b>10,221,000</b>	<b>92.8</b>
<b>Exercisable at year end</b>	<b>13,771,000</b>	<b>194.4</b>	<b>3,221,000</b>	<b>87.3</b>

In addition, as at 30 June 2009, there were nil (2008: 8,475,000) options granted but not issued under the Employee Share Scheme. The remaining contractual life for the options on issue as at 30 June 2009 is between 1 and 4 years (2008: 1 and 5 years). The range for exercise prices for options on issue at the end of the year was \$0.78-\$2.99 (2008: \$0.55-\$2.99).

#### (c) Performance Rights Plan

The Company has established the Mount Gibson Iron Limited Performance Rights Plan. The rights were granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return ("TSR") measured against the TSR of a comparator group of companies over the same period.

Information with respect to the number of Performance Rights granted and issued under is as follows:

	2009 No. of Performance Rights	2008 No. of Performance Rights
Balance at beginning of year	282,942	-
- granted and issued	605,817	282,942
- forfeited	-	-
- vested	-	-
<b>Balance at year end</b>	<b>888,759</b>	<b>282,942</b>
<b>Exercisable at year end</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	CONSOLIDATED	
	2009 \$'000	2008 \$'000

### 24. EARNINGS PER SHARE

Basic earnings per share amount are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Profits used in calculating basic and diluted earnings per share	42,618	113,344
--	--------	---------

	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	935,386,705	795,508,824
Effect of dilution		
- Share options	390,022	7,182,397
<b>Weighted average number of ordinary shares used in calculating diluted earnings per share</b>	<b>935,776,727</b>	<b>802,691,221</b>

### Conversions, calls, subscriptions or issues after 30 June 2009

Since the end of the financial year no options have been converted to ordinary shares. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this report.

### 25. DIVIDENDS PAID AND PROPOSED

No amounts have been paid, declared or recommended by the Company by way of dividend since 1 July 2008.

### 26. CONTINGENT LIABILITIES

- The Corporate Debt banks have provided the Consolidated Entity with performance bonds totalling \$31,841,070 (2008: \$13,815,907), of which \$15,107,304 (2008: \$nil) is cash backed (Note 8). The performance bonds relate to performance of environmental obligations and rail upgrades.
- Legal proceedings have been initiated against Mount Gibson Mining Limited ("MGM") by Austman Pty Ltd ("Austman") in relation to a contract for the design and construction of the crusher at Extension Hill. Austman is seeking orders that MGM pay it the sum of \$6,896,545 on a quantum meruit basis or alternatively as damages for breach of contract, plus interest accruing from 2 September 2008 until judgment plus costs. MGM denies the claim and will vigorously defend it. MGM is also counterclaiming damages from Austman for breach of contract. The precise quantum of MGM's claim has not yet been established but is expected to exceed \$1,000,000.

### 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### [a] Details of Key Management Personnel

##### [i] Directors

N Hamilton	Chairman
L Tonkin	Managing Director
C Readhead	Non-Executive Director
I Macliver	Non-Executive Director
A Jones	Non-Executive Director
Cao Z	Non-Executive Director (appointed 1 December 2008)
Chan Z	Non-Executive Director (appointed 19 January 2009)
R Willcocks	Alternate Director to Cao Z (appointed 22 December 2008)
A Rule	Chief Financial Officer and Alternate Director to Mr Tonkin

##### [ii] Executives

D Quinlivan	Chief Operating Officer
D Berg	Company Secretary – from 21 August 2008
R Mencil	General Manager – Talling Peak
R Richardson	General Manager – Koolan Island from 1 October 2008
R Jordinson	General Manager – Koolan Island until 30 September 2008

	CONSOLIDATED		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>[b] Compensation of Specified Key Management Personnel</b>				
Short-term	3,687,306	3,582,086	607,686	476,298
Post employment	189,252	143,521	35,917	29,602
Share-based payment	925,680	1,182,679	-	-
	<b>4,802,238</b>	<b>4,908,286</b>	<b>643,603</b>	<b>505,900</b>

**[c] Option holdings of Key Management Personnel**

30 June 2009	Balance at Beginning of Period 1 July 2008	Granted as Remuneration	Options Exercised	Net Change	Balance at End of Period 30 June 2009	Vested at 30 June 2009		
						Total	Not Exercisable	Exercisable
<i>Directors</i>								
N Hamilton	-	-	-	-	-	-	-	-
L Tonkin	5,000,000	-	-	-	5,000,000	3,000,000	-	3,000,000
C Readhead	-	-	-	-	-	-	-	-
I Macliver	-	-	-	-	-	-	-	-
A Jones	-	-	-	-	-	-	-	-
Cao Z	-	-	-	-	-	-	-	-
Chen Z	-	-	-	-	-	-	-	-
R Willcocks	-	-	-	-	-	-	-	-
A Rule	2,000,000	-	-	-	2,000,000	2,000,000	-	2,000,000
<i>Executives</i>								
D Quinlivan	-	-	-	-	-	-	-	-
D Berg	-	-	-	-	-	-	-	-
R Mencil	350,000	-	-	-	350,000	350,000	-	350,000
R Richardson	-	-	-	-	-	-	-	-
R Jordinson	100,000	-	-	-	100,000	100,000	-	100,000
	<b>7,450,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,450,000</b>	<b>5,450,000</b>	<b>-</b>	<b>5,450,000</b>

30 June 2008	Balance at Beginning of Period 1 July 2007	Granted as Remuneration	Options Exercised	Net Change	Balance at End of Period 30 June 2008	Vested at 30 June 2008		
						Total	Not Exercisable	Exercisable
<i>Directors</i>								
N Hamilton	-	-	-	-	-	-	-	-
L Tonkin	5,000,000	-	-	-	5,000,000	-	-	-
C Readhead	-	-	-	-	-	-	-	-
I Macliver	-	-	-	-	-	-	-	-
A Jones	-	-	-	-	-	-	-	-
P Bilbe <sup>[i]</sup>	-	-	-	-	-	-	-	-
M Horn <sup>[ii]</sup>	-	-	-	-	-	-	-	-
A Rule	2,000,000	-	-	-	2,000,000	-	-	-
<i>Executives</i>								
D Quinlivan	-	-	-	-	-	-	-	-
R Mencil	250,000	100,000	-	-	350,000	250,000	-	250,000
R Jordinson	-	100,000	-	-	100,000	-	-	-
	<b>7,250,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>7,450,000</b>	<b>250,000</b>	<b>-</b>	<b>250,000</b>

[i] Mr Bilbe resigned as a director on 21 November 2007

[ii] Mr Horn resigned as a director on 1 May 2008

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 27. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### [d] Shareholding of Key Management Personnel

30 June 2009	Balance 1 July 2008 Ord	Granted as Remuneration Ord	Exercise of on Options Ord	Net Change Other Ord	Balance 30 June 2009 Ord
<i>Directors</i>					
N Hamilton	185,000	-	-	-	185,000
L Tonkin	-	-	-	-	-
C Readhead	567,500	-	-	-	567,500
I Macliver	1,000,000	-	-	-	1,000,000
A Jones	100,000	-	-	-	100,000
Cao Z	-	-	-	-	-
Chen Z	-	-	-	-	-
R Willcocks	-	-	-	50,000	50,000
A Rule	50,000	-	-	-	50,000
<i>Executives</i>					
D Quinlivan	-	-	-	-	-
D Berg	-	-	-	-	-
R Mencil	-	-	-	-	-
R Richardson	-	-	-	-	-
R Jordinson	26,000	-	-	(26,000)	-
	<b>1,928,500</b>	<b>-</b>	<b>-</b>	<b>24,000</b>	<b>1,952,500</b>
30 June 2008	Balance 1 July 2007 Ord	Granted as Remuneration Ord	Exercise of on Options Ord	Net Change Other Ord	Balance 30 June 2008 Ord
<i>Directors</i>					
N Hamilton	185,000	-	-	-	185,000
L Tonkin	-	-	-	-	-
C Readhead	1,067,500	-	-	(500,000)	567,500
I Macliver	1,500,000	-	-	(500,000)	1,000,000
A Jones	100,000	-	-	-	100,000
P Bilbe	52,033	-	-	(52,033)	-
M Horn	-	-	-	-	-
A Rule	50,000	-	-	-	50,000
<i>Executives</i>					
D Quinlivan	-	-	-	-	-
R Mencil	-	-	-	-	-
R Jordinson	-	-	-	26,000	26,000
	<b>2,954,533</b>	<b>-</b>	<b>-</b>	<b>(1,026,033)</b>	<b>1,928,500</b>

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

**[e] Performance Rights holding by Key Management Personnel**

<b>30 June 2009</b>	<b>Balance 1 July 2008</b>	<b>Granted as Remuneration</b>	<b>Vested during year</b>	<b>Balance 30 June 2009</b>
<i>Directors</i>				
N Hamilton	-	-	-	-
L Tonkin	161,681	305,573	-	467,254
C Readhead	-	-	-	-
I Macliver	-	-	-	-
A Jones	-	-	-	-
Cao Z	-	-	-	-
Chen Z	-	-	-	-
R Willcocks	-	-	-	-
A Rule	121,261	218,131	-	339,392
<i>Executives</i>				
D Quinlivan	-	-	-	-
D Berg	-	82,113	-	82,113
R Mencil	-	-	-	-
R Richardson	-	-	-	-
R Jordinson	-	-	-	-
<b>Total</b>	<b>282,942</b>	<b>605,817</b>	<b>-</b>	<b>888,759</b>

<b>30 June 2008</b>	<b>Balance 1 July 2007</b>	<b>Granted as Remuneration</b>	<b>Vested during year</b>	<b>Balance 30 June 2008</b>
<i>Directors</i>				
N Hamilton	-	-	-	-
L Tonkin	-	161,681	-	161,681
C Readhead	-	-	-	-
I Macliver	-	-	-	-
A Jones	-	-	-	-
P Bilbe	-	-	-	-
M Horn	-	-	-	-
A Rule	-	121,261	-	121,261
<i>Executives</i>				
D Quinlivan	-	-	-	-
R Mencil	-	-	-	-
R Jordinson	-	-	-	-
<b>Total</b>	<b>-</b>	<b>282,942</b>	<b>-</b>	<b>282,942</b>

**[f] Loans to Specified Key Management Personnel**

There were no loans to key management personnel during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
<b>27. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)</b>		
<b>[g] Other Transactions and Balances with Key Management Personnel</b>		
<i>Services</i>		
Allion Legal (formerly called Pullinger Readhead), of which Mr Readhead is a partner, provided legal services to the Company and Consolidated Entity. The fees, paid under normal commercial terms and conditions, were \$nil (2008: \$6,043) and \$nil (2008: \$6,043) respectively.		
<i>Amounts recognised at the reporting date in relation to other transactions:</i>		
<b>Assets and Liabilities</b>		
<i>Current Liabilities</i>		
Trade Creditors	-	-
Total Liabilities	-	-
<b>Revenues and Expenses</b>		
Corporate expenses	-	6
Total Expenses	-	6

## 28. RELATED PARTY DISCLOSURE

### Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

### Wholly-owned group transactions

At 30 June 2009 \$274,227,385 (2008: \$116,093,881) of loans were owed by wholly owned subsidiaries to the Company. Interest of \$10,856,141 (2008: \$3,465,181) was charged on the loan to Mount Gibson Mining Limited at 7% pa during the year. All other loans are interest free, have no fixed repayment date and are repayable on demand. During the year, the following transactions occurred:

- repayment of the Koolan project finance facility of \$nil (2008:\$87,094,764) funded by the Company by way of drawdown of the Corporate Debt facility,
- transfers of deferred tax amounts from the Company to each of the wholly owned subsidiaries as a consequence of the tax consolidation group of \$17,326,743 (2008: \$14,425,341),
- share based payment expense incurred by the Company for options issued by the Company to employees that are employed by wholly owned subsidiaries of \$3,130,817 (2008: \$5,598,360), and
- net transfers of \$126,819,803 by the Company to subsidiaries for working capital purposes.

At 30 June 2009 \$18,519,351 (2008: \$18,861,121) of loans were owed by the Company to wholly owned subsidiaries. They are interest free, have no fixed repayment date and are repayable on demand.

### Director-related entity transactions

#### Sales

On 26 November 2008 the Consolidated Entity entered into the following agreements, which were subsequently approved by the Company's shareholders at an extraordinary general meeting held on 30 December 2008, whereby:

- During November and December, 2008 APAC and Shougang Concord would purchase all of the Consolidated Entity's available production at US\$40 per WMT,
- Between 1 January and 30 June 2009 Shougang Concord would purchase all of the Consolidated Entity's available production at US\$56 per WMT, and
- From 1 July 2009 onwards APAC and Shougang Concord would purchase all of the Consolidated Entity's available production at Hamersley benchmark price less 10%.

Mr Cao and Mr Chen are directors of Shougang Concord and Mr Cao and Mr Jones are directors of APAC.

Pursuant to these agreements, during the financial year, the Consolidated Entity:

- Sold 184,167 WMT of iron ore to APAC, and
- Sold 2,285,844 WMT of iron ore to Shougang Concord.

Amounts recognised at the reporting date in relation to director-related entity transactions:

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
<b>Assets and Liabilities</b>		
<i>Current Assets</i>		
Trade receivables - APAC	-	-
Trade receivables - Shougang Concord	9,425	-
Total trade receivables	9,425	-
<b>Total Assets</b>	<b>9,425</b>	<b>-</b>
<b>Revenues and Expenses</b>		
Sale of goods - APAC	10,899	-
Sale of goods - Shougang Concord	179,364	-
<b>Total Sale of Goods</b>	<b>190,263</b>	<b>-</b>

Apart from the above, there are no director-related entity transactions other than those specified in Note 27.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
<b>29. AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable by Ernst & Young for:				
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	228,150	186,800	228,150	186,800
• Other services in relation to the entity and any other entity in the consolidated entity	5,700	49,336	2,200	46,761
	<b>233,850</b>	<b>236,136</b>	<b>230,350</b>	<b>233,561</b>

### 30. SEGMENT INFORMATION

The Consolidated Entity operates primarily in the mining sector, through the exploration, evaluation and development of its iron ore deposits in the Mid-West region of Western Australia.

### 31. EVENTS AFTER THE BALANCE SHEET DATE

On 5 August 2009 the High Court of the Hong Kong Special Administrative Region dismissed an application by Sinom (Hong Kong) Limited for an injunction to restrain Mount Gibson Mining Limited from presenting a winding-up petition based on debt demanded in a statutory demand of 24 October 2008. On 6 August 2009 Mount Gibson Mining Limited filed a winding-up petition with the High Court of the Hong Kong Special Administrative Region in respect of the unsatisfied debt demanded in the statutory demand.

Apart from the above, as at the date of this report there are no significant events after balance date of the Company or of the Consolidated Entity that require adjustment of or disclosure in this report.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 32. FINANCIAL INSTRUMENTS

#### [a] Financial risk management objectives

The Consolidated Entity's principal financial instruments, other than derivatives, comprise bank loans, finance leases and hire purchase contracts, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Consolidated Entity also enters into derivatives transactions, principally forward currency contracts and interest rate swaps. The purpose is to manage the currency risks and interest rate risks arising from the Consolidated Entity's operations and its sources of finance.

The main risks arising from the Consolidated Entity's financial instruments are foreign currency risk, interest rate risk, credit risk, commodity price risk and liquidity risk. The Board reviews and agrees management's recommended policies for managing each of these risks and they are summarised below.

#### [b] Foreign currency risk

The Consolidated Entity is exposed to the risk of adverse movement in the A\$ compared to the US\$ as its iron ore sales receipts are denominated in US\$. The Consolidated Entity uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US\$ sales transactions in accordance with its risk management policy being a minimum of 50% and maximum of 70% of the next 12 months of forecast US\$ sales. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the US\$/A\$ exchange rate and to protect against adverse movements in these rates. In addition, the majority of the hire purchase liabilities for the mining equipment at Koolan Island are denominated in US\$.

The Consolidated Entity recognises derivative financial instruments at fair value at the date the derivative contract is entered into. The Consolidated Entity applies hedge accounting to forward foreign currency contracts that meet the criteria of cash flow hedges. The accounting policy for hedge accounting is set out in note 1(z).

On 30 June 2009, pursuant to the Amended Facility Agreement, the Consolidated Entity's Banking Syndicate rolled forward forecast excess US dollar foreign exchange forward contracts in the 2008/2009 financial year amounting to US\$157,500,000 into subsequent financial years. These outstanding US dollar foreign exchange forward contracts totalling US\$157,500,000 did not qualify as 'effective hedges' under the Company's hedge accounting policy. Consequently, as at 30 June 2009, an accounting mark-to-market loss of A\$14,625,000 (pre-tax) was recorded in the Income Statement.

At 30 June 2009, the profile of the restructured US dollar foreign exchange forward contract totalling US\$355,100,000 was:

- US\$134,750,000 due in the 6 months ending 31 December 2009 - weighted average A\$ rate of 0.807;
- US\$134,350,000 due in the 6 months ending 30 June 2010 - weighted average A\$ rate of 0.846; and
- US\$86,000,000 due in the 6 months ending 31 December 2010 - weighted average A\$ rate of 0.842.

As at 30 June 2009, based on the year end rate of 0.8135 the mark-to-market loss on the total outstanding US dollar foreign exchange forward contracts of US\$355,100,000 was \$16,252,000.

The hire purchase liabilities for the mining equipment at Koolan are denominated in US dollars.

It is the Consolidated Entity's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Consolidated Entity uses the following derivative instruments to manage foreign currency risk:

Instrument	Type of Hedging	Objective
Forward exchange contracts	Committed	Hedge sales receipts against cash flow volatility arising from the fluctuating US\$/A\$ exchange rates.
Collars	Committed	Hedge sales receipts against cash flow volatility arising from the fluctuating US\$/A\$ exchange rates by limiting exposure to exchange rates within a certain range of acceptable rates.

#### [i] Forward exchange contracts - cash flow hedges

The Consolidated Entity has entered into forward exchange contracts at reporting date designed as a hedge of anticipated future receipts that will be denominated in US\$.

At balance date the following foreign exchange contracts were outstanding:

	Average Contract Rate	2009			2008			
		US\$ \$'000	Contract Value A\$ \$'000	Fair Value A\$ \$'000	Average Contract Rate	US\$ \$'000	Contract Value A\$ \$'000	Fair Value A\$ \$'000
<b>Forward Exchange Contracts</b>								
- within one year	0.8259	269,100	325,804	(9,457)	0.8801	345,000	392,020	23,602
- within two years	0.8422	86,000	102,116	(6,795)	-	-	-	-
<b>Total</b>	<b>0.8298</b>	<b>355,100</b>	<b>427,920</b>	<b>(16,252)</b>	<b>0.8801</b>	<b>345,000</b>	<b>392,020</b>	<b>23,602</b>

	CONSOLIDATED		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets (note 7)	1,902	23,602	-	-
Non-current assets (note 7)	147	-	-	-
Current liabilities (note 17)	(11,359)	-	-	-
Non-current liabilities (note 17)	(6,942)	-	-	-
	<b>(16,252)</b>	<b>23,602</b>	-	-
Movement in forward exchange contract cash flow hedge reserve:				
Opening balance	23,602	5,169	-	-
Change in fair value of cash flow hedges	87,237	(4,892)	-	-
Transferred to revenue in Income Statement	(58,854)	23,325	-	-
Transferred to derivatives in Income Statement	(54,828)	-	-	-
<b>Closing balance</b>	<b>(2,843)</b>	<b>23,602</b>	-	-
Cash flow hedge ineffectiveness recognised immediately in profit and loss	-	105	-	-

*[ii] Foreign currency sensitivity*

The following table details the effect on profit and equity after tax of a 10% change in the Australian dollar against the US dollar from the spot rate at 30 June 2009 and 30 June 2008.

	CONSOLIDATED		COMPANY	
	Net Profit		Equity (Hedge Reserve)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
10% appreciation in the A\$ spot rate with all other variables held constant	676	(3,337)	15,334	31,995
10% depreciation in the A\$ spot rate with all other variables held constant	(825)	4,078	(19,366)	(39,106)

The sensitivity analysis of the Consolidated Entity's exposure to the foreign currency risk at balance date has been determined based on the change in fair value due to foreign exchange movement based on exposures at balance sheet date. A positive number indicates an increase in profit and equity. All mark-to-market movements in cash flow hedges have been assumed to go to equity as the profit and loss impact for any ineffectiveness unwinds over the derivatives' life.

At balance date, the Consolidated Entity and the Company's exposure to foreign currency risks on financial assets and financial liabilities, excluding derivatives, are as follows:

	CONSOLIDATED		COMPANY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial assets</b>				
Cash (included within note 4)	4,373	15,927	-	-
Trade receivables (included within note 5)	25,463	77,830	-	-
<b>Financial Liabilities</b>				
Trade payables (included within note 15)	(310)	(19)	-	-
Hire purchase facility (included within note 17)	(40,137)	(41,308)	-	-
<b>Net exposure</b>	<b>(10,611)</b>	<b>52,430</b>	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 32. FINANCIAL INSTRUMENTS (CONTINUED)

#### [c] Interest rate risk

The Consolidated Entity's exposure to market interest rates relates primarily to the Consolidated Entity's long-term debt obligations and cash equivalents.

The Consolidated Entity's policy is to manage its interest costs using a mix of fixed and variable rate debt, and to keep between 50% and 75% of its borrowings at fixed rates of interest. The Consolidated Entity has entered into interest rate swaps, in which the Consolidated Entity agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The Consolidated Entity constantly analyses its interest income rate exposure. Within this analysis, consideration is given to potential renewals of existing positions and alternative financing.

At balance date, the Consolidated Entity and the Company's exposure to interest rate risks on financial assets and financial liabilities are as follows:

	Fixed interest rate maturing in:											
	Floating interest rate		1 year or less		Over 1 to 5 years		Non-interest bearing		Total carrying amount per balance sheet		Weighted Average Interest	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
<b>Consolidated</b>												
<i>i) Financial assets</i>												
Cash	27,962	33,926	194,204	14,725	-	-	7	7	222,173	48,658	4.06	6.36
Trade and other receivables	-	-	-	-	-	-	17,224	83,436	17,224	83,436	-	-
Listed shares	-	-	-	-	-	-	-	1,113	-	1,113	-	-
Performance bonds	-	-	15,107	-	-	-	-	-	15,107	-	3.02	-
Convertible notes	-	-	-	-	-	-	1,000	1,000	1,000	1,000	-	-
Derivatives	-	-	-	-	-	-	2,224	25,161	2,224	25,161	-	-
<b>Total financial assets</b>	<b>27,962</b>	<b>33,926</b>	<b>209,311</b>	<b>14,725</b>	<b>-</b>	<b>-</b>	<b>20,455</b>	<b>110,717</b>	<b>257,728</b>	<b>159,368</b>		
<i>ii) Financial liabilities</i>												
Trade and other payables	-	-	-	-	-	-	75,103	73,406	75,103	73,406	-	-
Derivatives	-	-	-	-	-	-	21,298	342	21,298	342	-	-
Lease liabilities	-	-	3,972	3,961	6,711	10,320	-	-	10,683	14,281	8.82	8.35
Hire purchase	-	-	10,357	8,454	42,369	33,931	-	-	52,726	42,385	7.61	7.43
Corporate debt	30,500	30,500	74,500	-	-	74,500	-	-	105,000	105,000	7.29	8.99
<b>Total financial liabilities</b>	<b>30,500</b>	<b>30,500</b>	<b>88,829</b>	<b>12,415</b>	<b>49,080</b>	<b>118,751</b>	<b>96,401</b>	<b>73,748</b>	<b>264,810</b>	<b>235,414</b>		
<b>Company</b>												
<i>i) Financial assets</i>												
Cash	4,538	4,562	-	-	-	-	-	-	4,538	4,562	3.60	6.65
Trade and other receivables	-	-	-	-	-	-	230	38	230	38	-	-
Related party receivable	-	-	-	-	236,426	51,763	37,801	64,184	274,227	115,947	7.00	7.00
Performance bonds	-	-	15,107	-	-	-	-	-	15,107	-	3.02	-
Derivatives	-	-	-	-	-	-	175	1,559	175	1,559	-	-
Investment in subsidiaries	-	-	-	-	-	-	347,640	344,509	347,640	344,509	-	-
Listed shares	-	-	-	-	-	-	-	1,113	-	1,113	-	-
Convertible notes	-	-	-	-	-	-	1,000	1,000	1,000	1,000	-	-
<b>Total financial assets</b>	<b>4,538</b>	<b>4,562</b>	<b>15,107</b>	<b>-</b>	<b>236,426</b>	<b>51,763</b>	<b>386,846</b>	<b>412,403</b>	<b>642,917</b>	<b>468,728</b>		
<i>ii) Financial liabilities</i>												
Trade and other payables	-	-	-	-	-	-	6,423	2,114	6,423	2,114	-	-
Derivatives	-	-	-	-	-	-	2,997	342	2,997	342	-	-
Related party loans	-	-	-	-	-	-	18,519	18,861	18,519	18,861	-	-
Corporate debt	30,500	30,500	74,500	-	-	74,500	-	-	105,000	105,000	7.29	8.99
<b>Total financial liabilities</b>	<b>30,500</b>	<b>30,500</b>	<b>74,500</b>	<b>-</b>	<b>-</b>	<b>74,500</b>	<b>27,939</b>	<b>21,317</b>	<b>132,939</b>	<b>126,317</b>		

**[i] Interest rate swaps – cash flow hedges**

The corporate debt facility of the Consolidated Entity currently bears an average variable interest rate of 7.29%. In order to protect against rising interest rates the Consolidated Entity has entered into interest rate swap contracts under which it has a right to pay interest at fixed rates. Swaps in place cover approximately 71% (2008: 71%) of the principal outstanding and will expire on 30 June 2010. The fixed interest rates range between 6.98% and 8.08% (2008: 6.98% and 8.08%) and the variable rate is 1.5% (2008: 1.5%) above the 90 day bank bill rate, which at balance date was 3.24% (2008: 7.89%).

At 30 June 2009, the notional principal amount and period of expiry on the interest rate swap contracts are as follows:

		CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Less than 1 year		74,500	74,500	74,500	74,500
		<b>74,500</b>	<b>74,500</b>	<b>74,500</b>	<b>74,500</b>
Current assets	(note 7)	175	1,559	175	1,559
Current liabilities	(note 17)	(2,997)	(342)	(2,997)	(342)
		<b>(2,822)</b>	<b>1,217</b>	<b>(2,822)</b>	<b>1,217</b>

The interest rate swaps require settlement of net interest payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit and loss when the interest expense is recognised.

Movement in interest rate swap contract cash flow hedge reserve

Opening balance		1,174	-	1,174	-
Transferred to interest expense		1,215	(286)	1,215	(286)
Charged to equity		(5,008)	1,460	(5,008)	1,460
<b>Closing balance</b>		<b>(2,619)</b>	<b>1,174</b>	<b>(2,619)</b>	<b>1,174</b>

Cash flow hedge ineffectiveness recognised immediately in profit and loss (included in other expenses)

- - - -

**[ii] Interest rate sensitivity**

The following table details the effect on profit and equity after tax to a 1% change in the interest rates at 30 June 2009 and 30 June 2008.

	CONSOLIDATED				COMPANY			
	Net Profit		Equity		Net Profit		Equity	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1% increase in interest rate with all other variables held constant	1,146	(735)	421	1,203	(214)	(735)	421	1,203
1% decrease in interest rate with all other variables held constant	(1,146)	735	(427)	(1,232)	214	735	(427)	(1,232)

The sensitivity analysis of the Consolidated Entity's exposure to the interest rate risk at balance date has been determined based on exposures at balance sheet date. A positive number indicates an increase in profit and equity. All mark-to-market movements in cash flow hedges have been assumed to go to equity as the profit and loss impact for any ineffectiveness unwinds over the derivatives' life.

## NOTES TO THE CONSOLIDATED FINANCIAL REPORT (CONTINUED)

For the year ended 30 June 2009

### 32. FINANCIAL INSTRUMENTS (CONTINUED)

#### [d] Credit risk

The Consolidated Entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Consolidated Entity's maximum credit risk exposure in relation to forward exchange contracts is the full amount of the foreign currency it will be required to pay or purchase when settling the forward exchange contract, should the counterparty not pay the currency it is committed to deliver to the Consolidated Entity.

The Consolidated Entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers and by the use of letters of credit which guarantee 90% of receivable amount at the time of sale.

Credit risk from balances with banks and financial institutions is managed by Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties with a Standard & Poors short term credit rating of at least A-1 and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Mount Gibson Board on an annual basis, and may be updated throughout the year subject to approval of the Mount Gibson Board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments.

There are no significant concentrations of credit risk within the Consolidated Entity.

#### [e] Commodity price risk

The Consolidated Entity's operations are exposed to commodity price risk. Iron ore prices are set each year and apply from 1 April to 31 March the following year. Revenue on sales is recognised based on provisional priced sales and is subject to final adjustments between 30 to 120 days after delivery of the commodity. There are no readily available financial instruments available to hedge the iron ore price.

#### [f] Liquidity risk and Capital risk management

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of its corporate debt facility, finance leases and hire purchase contracts. The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Consolidated Entity's capital risk management objectives are to safeguard the business as a going concern, to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and Corporate Debt).

Mount Gibson does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. Note 16 sets out details of the Amended Corporate Debt facility.

At 30 June 2009, the Consolidated Entity had unutilised standby credit facilities totalling \$78,000,000 (2008: \$82,000,000).

The table below analyses the Consolidated Entity and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the balance sheet.

	30 June 2009					30 June 2008				
	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total	Less than 6 months	Less 6 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>										
<i>Financial Liabilities</i>										
Trade and other payables	75,103	-	-	-	75,103	73,406	-	-	-	73,406
Lease liabilities	2,328	2,441	7,185	-	11,954	2,552	2,511	11,564	-	16,627
Hire purchases	7,913	5,923	46,951	-	60,787	5,976	5,118	38,713	-	49,807
Corporate debt	2,574	2,551	105,000	-	110,125	4,554	4,480	114,033	-	123,067
Derivatives – Gross Inflow	(167,279)	(149,067)	(95,321)	-	(411,667)	-	-	-	-	-
Derivatives – Gross Outflow	169,891	158,735	102,116	-	430,742	145	-	-	-	145
	<b>90,530</b>	<b>20,583</b>	<b>165,931</b>	<b>-</b>	<b>277,044</b>	<b>86,633</b>	<b>12,109</b>	<b>164,310</b>	<b>-</b>	<b>263,052</b>
<b>Company</b>										
<i>Financial Liabilities</i>										
Trade and other payables	6,423	-	-	-	6,423	2,114	-	-	-	2,114
Intercompany	18,519	-	-	-	18,519	18,861	-	-	-	18,861
Corporate debt	2,574	2,551	105,000	-	110,125	4,554	4,480	114,033	-	123,067
Derivatives – Gross Outflow	2,822	-	-	-	2,822	-	-	-	-	-
	<b>30,338</b>	<b>2,551</b>	<b>105,000</b>	<b>-</b>	<b>137,889</b>	<b>25,529</b>	<b>4,480</b>	<b>114,033</b>	<b>-</b>	<b>144,042</b>

**[g] Fair value of financial assets and financial liabilities**

The carrying amounts and fair values of the financial assets and financial liabilities for the Consolidated Entity and the Company are shown below.

The fair value representing the mark-to-market of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash, short-term deposits, trade and other receivables, trade and other payables and other short-term borrowings approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The fair values of derivative financial instruments are sourced from an independent valuation by the Company's treasury advisor, Oakvale Capital ("Oakvale"). Oakvale's valuation techniques use prevailing market inputs sourced from Reuters/Bloomberg to determine an appropriate mid price valuation.

	CONSOLIDATED				COMPANY			
	2009		2008		2009		2008	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>Financial assets - current</b>								
Cash	27,966	27,966	33,930	33,930	4,538	4,538	4,562	4,562
Short-term deposits	194,207	194,207	14,728	14,728	-	-	-	-
Trade debtors	11,480	11,480	78,493	78,493	-	-	-	-
Other receivables	5,744	5,744	4,943	4,943	1,230	1,230	38	38
Derivatives	2,077	2,077	25,161	25,161	175	175	-	-
Other assets	15,107	15,107	-	-	15,107	15,107	-	-
	<b>256,581</b>	<b>256,581</b>	<b>157,255</b>	<b>157,255</b>	<b>21,050</b>	<b>21,050</b>	<b>4,600</b>	<b>4,600</b>
<b>Financial assets – non current</b>								
Other receivables	-	-	1,000	1,000	274,227	274,227	116,947	116,947
Derivatives	147	147	-	-	-	-	-	-
Available-for-sale assets	-	-	1,113	1,113	-	-	1,113	1,113
	<b>147</b>	<b>147</b>	<b>2,113</b>	<b>2,113</b>	<b>274,227</b>	<b>274,227</b>	<b>118,060</b>	<b>118,060</b>
<b>Financial liabilities – current</b>								
Trade and other payables	75,103	75,103	73,406	73,406	24,942	24,942	20,975	20,975
Lease liabilities	14,329	14,329	12,415	12,415	-	-	-	-
Corporate debt	105,000	105,000	-	-	105,000	105,000	-	-
Derivatives	14,356	14,356	342	342	2,997	2,997	-	-
	<b>208,788</b>	<b>208,788</b>	<b>86,163</b>	<b>86,163</b>	<b>132,939</b>	<b>132,939</b>	<b>20,975</b>	<b>20,975</b>
<b>Financial liabilities – non current</b>								
Lease liabilities	49,080	49,080	44,251	44,251	-	-	-	-
Derivatives	6,942	6,942	-	-	-	-	-	-
Corporate debt	-	-	105,000	105,000	-	-	105,000	105,000
	<b>56,022</b>	<b>56,022</b>	<b>149,251</b>	<b>149,251</b>	<b>-</b>	<b>-</b>	<b>105,000</b>	<b>105,000</b>
<b>Net financial assets /(financial liabilities)</b>	<b>(8,082)</b>	<b>(8,082)</b>	<b>(76,046)</b>	<b>(76,046)</b>	<b>162,338</b>	<b>162,338</b>	<b>(3,315)</b>	<b>(3,315)</b>

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mount Gibson Iron Limited, I state that:

1. In the opinion of the Directors:
  - a. the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Company and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
    - i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2009 and of their performance for the year ended on that date; and
    - ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors.



**N HAMILTON**  
Chairman

Perth, 13 August 2009

## INDEPENDENT AUDIT REPORT



Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
www.ey.com/au

### Independent auditor's report to the members of Mount Gibson Iron Limited

#### Report on the Financial Report

We have audited the accompanying financial report of Mount Gibson Iron Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (d), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### 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. These Auditing 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## INDEPENDENT AUDIT REPORT (CONTINUED)



### Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### Auditor's Opinion

In our opinion:

1. the financial report of Mount Gibson Iron Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Mount Gibson Iron Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Gavin A Buckingham  
Partner

13 August 2009

## CORPORATE GOVERNANCE STATEMENT

### THE BOARD AND CORPORATE GOVERNANCE

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance.

The Company's Corporate Governance Principles and Practices Manual were approved on 10 June 2006 and have been reviewed and updated as necessary during the year.

A description of the Company's main corporate governance practices is set out below. Copies of the relevant corporate governance policies are available in the corporate governance section of the Company's website at [www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au).

The Board will continue to review and develop its corporate governance practices and the corporate governance section of the website will be updated with policies and procedures as they are formally adopted by the Company.

### THE ROLE OF THE BOARD AND THE BOARD CHARTER

The Board operates in accordance with the broad principles set out in the Company's Board Charter, a copy of which is available from the Company's website. The Board is responsible for guiding and monitoring the Company on behalf of Shareholders by whom they are elected and to whom they are accountable. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders.

Day to day management of the Company's affairs and the implementation of corporate strategies and policy initiatives are delegated by the Board to the Managing Director and senior executives, as set out in the Board Charter.

The Board Charter sets out the following overall powers and responsibilities of the Board:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets; and
- monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards.

Specific powers and responsibilities reserved to the Board in the Board Charter include:

- appointing, removing and monitoring the performance of the Managing Director and Company Secretary, determining their terms and conditions of employment and ratifying other key executive appointments and planning for executive succession;
- reviewing and ratifying systems of risk management and internal control and compliance, codes of conduct and legal compliance;
- reviewing and ratifying financial and other reporting;
- reviewing and ratifying major capital expenditure, capital management and acquisitions and divestitures; and
- approving the issue of any shares, options or other securities in the Company.

A statement on Board and management functions, which sets out those matters reserved to the Board and the roles and responsibilities of senior management, is available on the Company's website.

### MANAGING DIRECTOR

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

### CONFLICT OF INTERESTS POLICY

The Board has adopted a Conflict of Interest Policy which establishes a protocol under which each Director is required to disclose certain interests and advise the Board in circumstances where a potential conflict of interest may arise. The Conflicts of Interest Policy also sets out the procedures to be followed where the Chairman determines that a Director's interest in a matter may be sufficiently material or may result in a conflict of interest occurring.

### BOARD COMPOSITION

As at the date of this report the Company has seven Directors: six Non-Executive Directors including the Chairman, and one Executive Director.

Board composition will be reviewed annually to ensure that the Non-Executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Company. All Directors, other than the Managing Director, are required to retire and stand for re-election by Shareholders, every three years.

Details of the skills, experience and expertise relevant to the position of Director held by each Director in office as at the date of the Annual Report are set out on page 18.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### DIRECTOR INDEPENDENCE

The Company's Policy on Independence of Directors provides criteria for the assessment of the independence of Directors. A Director may be considered by the Board to be independent where the Director does not meet one or more of the criteria. An independent director, as set out in the ASX Guidelines, is a non-executive director who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the Directors unfettered and independent judgement.

The Board consider that of the Non-Executive Directors, Messrs Hamilton, Readhead, Macliver and Jones are independent. This represents a majority of the Directors comprising the Board. In making this assessment the following were considered in relation to the criteria and the test for independence:

- Both Mr Hamilton, who is the Chair of the Board, and Mr Macliver have no business or other relationships which could be said to interfere with the independent exercise of their judgment;
- Mr Readhead is a partner of the law firm Allion Legal, which, from time to time, provides legal services to the Consolidated Entity. The fees in relation to these legal services are not material to the Company or to the provider.
- Mr Jones is a non-executive director of a substantial shareholder of the Company, however the other independent Directors are of the view that this relationship does not materially interfere with the independent exercise of his judgement.

Messrs Cao and Chen are executive officers of substantial shareholders of the Company and because of this relationship and the perception which this may give rise to, neither are classified as independent directors.

If any Director has a material interest in a matter, the Director will not be permitted to vote on the matter.

### DIRECTORS ACCESS TO INDEPENDENT ADVICE

The Company recognises that, from time to time, a Director may need to obtain his or her own expert advice in order to discharge that Director's duties. The Directors must ensure, to the extent possible, that any advice obtained is independent of the Company. Any reasonable expenses incurred in obtaining that advice will be met by the Company.

### BOARD MEETINGS

The Board meets at least nine times each year, and full Board meetings are usually held bi-monthly. From time to time meetings are convened outside the scheduled dates to consider issues of importance. In addition the Board conducts visits to the Group's operations at least once per year.

Directors' attendance at Board and Committee meetings is detailed on page 31.

### BOARD COMMITTEES

The Company's Board has established an Audit and Risk Management Committee and a Nomination, Remuneration and Governance Committee.

#### Audit and Risk Management Committee ("ARMC")

The ARMC is comprised of Messrs Jones, Readhead and Macliver. It has a formal charter and meets generally two times during a financial year. A copy of the Charter is located on the Company's website. Committee members' attendance at ARMC meetings is detailed on page 31.

The ARMC's overall role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting and audit, internal control and financial risks.

The ARMC's specific responsibilities include (but are not limited to):

- evaluating the effectiveness of the Company's internal control measures, and gaining an understanding of whether internal control recommendations made by external auditors have been implemented,
- understanding the current areas of greatest financial risk for the Company and management's response to minimising those risks,
- reviewing significant accounting and reporting issues, and
- reviewing annual financial reports, and meeting with management and external auditors to discuss the reports and the results of the audit.

The Managing Director, Chief Financial Officer and the External Auditors usually attend ARMC meetings.

#### Nomination, Remuneration and Governance Committee ("NRGC")

The NRGC is comprised of Messrs Hamilton, Readhead and Macliver. It has a formal charter and meets generally at least two times during a financial year. A copy of the Charter is located on the Company's website. Committee members' attendance at NRGC meetings is detailed on page 31.

The NRGC's specific responsibilities include (but are not limited to):

- reviewing and recommending to the Board the size, composition and membership of the Board,
- developing and facilitating the process for Board and Director evaluation,
- making recommendation to the Board on remuneration of Directors and Senior Executives,
- reviewing the Managing Director's performance, at least annually, and
- review and implementation of Corporate Governance protocols.

Details of the structure of non-executive Directors' remuneration and executive Director's and Senior Executives' Remuneration is set out in the Directors Report.

### CORPORATE REPORTING

The Managing Director and Chief Financial Officer have made the following certifications to the Board with respect to the 2009 accounts:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards, and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and the Company's risk management and internal control is operating efficiently and effectively in all material respects.

## SECURITIES DEALING POLICY

The Company has a policy imposing restraints on Directors and Senior Executives dealing in the Company's securities. The policy is aimed at minimising the risk of Directors and Senior Executives contravening insider trading laws, ensuring the Company is able to meet its reporting obligations under the ASX Listing Rules and increasing transparency with respect to trading in the Company's securities by Directors and Senior Executives. A copy of this policy is located on the Company's website.

## FINANCIAL REPORTING

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2009 involved both the Managing Director and the Chief Financial Officer providing detailed representations to the Board covering:

- compliance with the Company's accounting policies and relevant accounting standards,
- the accuracy of the financial statements and that they provide a true and fair view,
- integrity and objectivity of the financial statements, and
- effectiveness of the system of internal control.

## INDEMNITIES

The Company has entered into deeds of access, indemnity and insurance with each Director. These deeds provide access to documentation, indemnification against liability from conduct of the Company's business and subsidiaries, and Directors' and Officers' liability insurance.

## DIRECTORS AND SENIOR EXECUTIVES PERFORMANCE EVALUATION AND REMUNERATION

The Board annually self assess its collective performance, and the performance of individual Directors and of Board committees. The assessment is undertaken using questionnaires, discussions and, where applicable, advice from external consultants.

The Company's Policy on Identifying, Assessing and Enhancing Director Competencies and its Remuneration Policy are available on its website.

## CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

The Company has established a Continuous Disclosure policy, identifying the procedure for executives in identifying material price sensitive information and reporting that information to the Company Secretary for review. The Company Secretary has primary responsibility for ensuring that the ASX disclosure requirements are met.

The Company has also adopted:

- Policy for dealing with Media Enquiries, and
- Policy for Shareholder Communications in order to promote effective communication with shareholders and encouraging participation at the Company's annual general meeting.

Copies of each of these policies are located on the Company's website.

Shareholders may elect to receive company reports by mail or email.

## RISK MANAGEMENT

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal statutory and ethical matters,
- monitor the business environment,
- identify business risk areas, and
- identify business opportunities.

The Company does not have a formal internal audit function (ASX Principle 7.2) as the Board considers that the Company is not of a size to warrant the implementation of a separate internal audit function.

The Board has delegated responsibility to the ARMC to review and report to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Company has in place specific policies and programs addressing certain strategic, financial, operational and compliance risks. Comprehensive reports addressing each of these areas are provided regularly to management and the Board. In addition, the Company has in place a crisis and emergency management system designed to address emergencies at any of the Company's operating sites.

## AUDITORS

The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## ETHICAL STANDARDS AND CONDUCT

The Company has an Employee Code of Conduct providing a framework of principles for conducting business and dealing with stakeholders. Employees are required to perform and act with integrity, fairness and in accordance with the law and to avoid real or apparent conflicts of interest. In addition, the Company has also established a Board Code of Conduct for Directors, which establishes guidelines for their conduct in carrying out their duties. Copies of both Codes of Conduct are located on the Company's website.

## ASX AND ADDITIONAL INFORMATION

Additional information required by ASX Limited and not shown elsewhere in this report is as follows. The information is current as at 21 September 2009.

### (a) Distribution of equity securities

	Ordinary Share		
	Number of Holders	Number of Shares	% of issued Capital
1 - 1,000	2,692	1,796,795	0.17
1,001 - 5,000	7,494	22,595,530	2.10
5,001 - 10,000	3,799	30,848,887	2.87
10,001 - 100,000	4,297	119,356,177	11.10
100,001 - 999,999,999	310	900,631,222	83.76
<b>Total</b>	<b>18,592</b>	<b>1,075,228,611</b>	<b>100.00</b>

### (b) Equity security holders

The names of the 20 largest holders of quoted Shares are:

	Ordinary Share	
	Number of Holders	Number of Shares
Sky Choice International Limited	154,166,874	14.34
Sun Hung Kai Investment Services Limited <Client A/C>	151,523,460	14.09
J P Morgan Nominees Australia Limited	102,993,803	9.58
Apac Resources Investments Limited	82,900,000	7.71
National Nominees Limited	65,534,963	6.09
Sun Hung Kai Investment Services Ltd <Clients A/C>	49,504,314	4.60
Hsbc Custody Nominees (Australia) Limited	41,870,907	3.89
Anz Nominees Limited <Cash Income A/C>	31,909,653	2.97
Mr Conglin Yue	21,000,000	1.95
Citicorp Nominees Pty Limited	12,791,000	1.19
Amp Life Limited	10,263,127	0.95
Queensland Investment Corporation	9,837,273	0.91
Ubs Nominees Pty Ltd	7,939,760	0.74
Debortoli Wines Pty Limited	6,979,500	0.65
Cogent Nominees Pty Limited	6,821,477	0.63
Hsbc Custody Nominees (Australia) Limited - A/C 2	6,547,521	0.61
Nefco Nominees Pty Ltd	5,886,518	0.55
Citic Resources Australia Pty Ltd	5,677,742	0.53
Argo Investments Limited	5,433,498	0.51
Citicorp Nominees Pty Limited <Cfsil Cfs Ws Small Comp A/C>	4,379,283	0.41
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)</b>	<b>783,960,673</b>	<b>72.91</b>

### (c) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
APAC Resources Limited	279,877,774
Shougang Corporation and Shougang Concord International Enterprises Company Limited and each of their controlled entities	154,166,874

**(d) Voting Rights**

All ordinary Shares carry one vote per Share without restriction.  
No voting rights attach to options.

**(e) Schedule of interests in mining tenements**

Location	Tenement	Percentage Held	Location	Tenement	Percentage Held
Molema Island	E04/1265-I	100%	Extension Hill	G70/232	100%
Koolan Island	E04/1266-I	100%	Extension Hill	G70/238	100%
Koolan South	E04/1407	100%	Mt Yule	E70/2731-I	100%
Koolan Island	L04/29	100%	Piawaning	E70/3059-I	100%
Koolan Island	M04/416-I	100%	Warriedar	P59/1725	100%
Koolan Island	M04/417-I	100%	Warriedar	P59/1726	100%
Tallering Peak	G70/192	100%	Warriedar	P59/1727	100%
Tallering Peak	G70/193	100%	Warriedar	P59/1728	100%
Tallering Peak	G70/201	100%	Warriedar	P59/1729	100%
Tallering Peak	G70/202	100%	Jasper Hill	E59/1355	100%
Tallering Peak	G70/203	100%	Brockman	P80/1626	100%
Tallering Peak	G70/204	100%	Brockman	P80/1627	100%
Tallering Peak	G70/205	100%	Brockman	P80/1628	100%
Tallering Peak	L70/60	100%	Brockman	P80/1629	100%
Tallering Peak	L70/69	100%	Brockman	P80/1630	100%
Tallering Peak	L70/73	100%	Brockman	P80/1631	100%
Tallering Peak	L70/74	100%	Brockman	P80/1632	100%
Tallering Peak	M70/896-I	100%	Brockman	P80/1633	100%
Tallering Peak	M70/1062-I	100%	Brockman	P80/1634	100%
Tallering Peak	M70/1063-I	100%	Brockman	P80/1635	100%
Tallering Peak	M70/1064-I	100%	Brockman	M80/0509	100%
			Brockman	M80/0510	100%

## ASX AND ADDITIONAL INFORMATION

### (f) Key Operational and Financial Statistics

	Unit	12 months ended 30 June 04	12 months ended 30 June 05	12 months ended 30 June 06	12 months ended 30 June 07	12 months ended 30 June 08	12 months ended 30 June 09
<b>PRODUCTION</b>							
Waste mined	BCM '000	1,668	3,796	6,585	11,849	18,516	19,389
Ore mined	WMT '000	555	1,935	1,122	3,491	6,888	5,912
Tonnes sold							
- lump	WMT '000	259	1,173	889	1,448	3,081	2,383
- fines	WMT '000	128	693	498	1,014	2,387	3,016
		<b>387</b>	<b>1,866</b>	<b>1,387</b>	<b>2,462</b>	<b>5,468</b>	<b>5,399</b>
<b>PROFIT &amp; LOSS</b>							
<b>Revenue</b>							
- Sales revenue	\$ '000	14,293	76,872	73,389	162,748	432,674	425,443
- Other revenue	\$ '000	178	471	1,907	2,256	2,500	6,287
	\$ '000	<b>14,471</b>	<b>77,343</b>	<b>75,296</b>	<b>165,004</b>	<b>435,174</b>	<b>431,730</b>
Gross profit	\$ '000	3,137	26,856	25,297	56,049	190,539	138,233
Net profit/(loss) before tax	\$ '000	(10,982)	22,032	16,151	42,253	163,857	61,709
Tax (expense)/benefit	\$ '000	0	(8,530)	6,922	(13,209)	(50,513)	(19,091)
<b>Net profit/(loss) after tax before minorities</b>	\$ '000	<b>(10,982)</b>	<b>13,502</b>	<b>23,073</b>	<b>29,044</b>	<b>113,344</b>	<b>42,618</b>
Profit after tax from discontinued operations	\$ '000	0	0	0	18,721	0	0
<b>Net profit/(loss) after tax before minorities</b>	\$ '000	<b>(10,982)</b>	<b>13,502</b>	<b>23,073</b>	<b>47,765</b>	<b>113,344</b>	<b>42,618</b>
Minority interest	\$ '000	0	0	406	0	0	0
<b>Net profit/(loss) after tax</b>	\$ '000	<b>(10,982)</b>	<b>13,502</b>	<b>23,479</b>	<b>47,765</b>	<b>113,344</b>	<b>42,618</b>
<b>CASH FLOW</b>							
Cash flow from operations	\$ '000	(9,629)	17,778	(8,381)	3,090	45,753	99,488
Cash flow from investing	\$ '000	(8,243)	(9,056)	(26,490)	(18,574)	(64,100)	(50,220)
Cash flow from financing	\$ '000	10,930	24,300	8,579	68,885	6,207	124,247
<b>Net cash flow</b>	\$ '000	<b>(6,942)</b>	<b>33,022</b>	<b>(26,292)</b>	<b>53,401</b>	<b>(12,140)</b>	<b>173,515</b>
<b>BALANCE SHEET</b>							
Current assets	\$ '000	9,491	46,186	65,924	111,341	230,273	370,671
Non-current assets	\$ '000	43,295	64,842	77,336	581,159	663,764	742,275
<b>Total assets</b>	\$ '000	<b>52,786</b>	<b>111,028</b>	<b>143,260</b>	<b>692,500</b>	<b>894,037</b>	<b>1,112,946</b>
Current liabilities	\$ '000	(17,710)	(13,443)	(24,431)	(164,240)	(88,043)	(204,456)
Non-current liabilities	\$ '000	(11,677)	(21,000)	(9,633)	(73,951)	(209,502)	(128,009)
<b>Total liabilities</b>	\$ '000	<b>(29,387)</b>	<b>(34,443)</b>	<b>(34,064)</b>	<b>(238,191)</b>	<b>(297,545)</b>	<b>(332,465)</b>
<b>Net assets</b>	\$ '000	<b>23,399</b>	<b>76,585</b>	<b>109,196</b>	<b>454,309</b>	<b>596,492</b>	<b>780,481</b>
Shares on issue		291,565,822	368,519,793	402,058,719	787,786,821	803,840,821	1,075,228,611
<b>KPIs</b>							
- Earnings per share	\$/share	(0.0377)	0.0366	0.0574	0.0753	0.1425	0.0456
- Net asset value per share	\$/share	0.0803	0.2078	0.2716	0.5767	0.7421	0.7259

# CORPORATE DIRECTORY

## Board of Directors

Neil D. Hamilton  
*Chairman, Non-Executive Director*

Luke Tonkin  
*Managing Director*

Craig Readhead  
*Non-Executive Director*

Ian Macliver  
*Non-Executive Director*

Cao Zhong  
*Non-Executive Director*

Chen Zhouping  
*Non-Executive Director*

Alan Jones  
*Non-Executive Director*

Robert Willcocks  
*Alternate Director for Cao Zhong*

Alan Rule  
*Alternate Director for Luke Tonkin*

## Company Secretary

David Berg

## Registered Office

Level 1, 7 Havelock Street  
West Perth 6005, Western Australia  
Telephone: +61 8 9426 7500  
Facsimile: +61 8 9485 2305  
Email: [admin@mtgibsoniron.com.au](mailto:admin@mtgibsoniron.com.au)  
Website: [www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au)

## Solicitors

**Freehills**  
Level 36, QV1 Building  
250 St George's Terrace  
Perth 6000, Western Australia

**Wright Legal**  
Level 1, 103 Colin Street  
West Perth 6005, Western Australia

## Auditors

**Ernst & Young**  
Ernst & Young Building  
11 Mounts Bay Road  
Perth 6000, Western Australia

## Bankers

**HSBC Bank Australia Ltd**  
188-190 St George's Terrace  
Perth 6000, Western Australia

**National Australia Bank Limited**  
Level 33, 500 Bourke Street  
Melbourne, 3000, Victoria

## Stock Exchange Listing

The company's shares are listed on ASX.  
ASX Code: MGX

## Share Registry

**Computershare Investor Services Pty Ltd**  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth 6000, Western Australia  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

To be held at 9:30am on Wednesday 18 November at City West Function Centre  
45 Plaistowe Mews, City West Centre, West Perth, 6005.

## EASY ACCESS TO INFORMATION

See our website at [www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au) for regular quarterly reports and financial results. Additionally, shareholders or interested parties can register to receive emailed updates shortly after the company makes any regular or major announcement.



[WWW.MTGIBSONIRON.COM.AU](http://WWW.MTGIBSONIRON.COM.AU)

