Mount Gibson Iron

MOUNT GIBSON IRON LIMITED

(ABN: 87 008 670 817)

ANNUAL REPORT 2002

CORPORATE DIRECTORY

BOARD OF DIRECTORS

BILL WILLIS	Executive Chairman
BRIAN JOHNSON	Managing Director
CRAIG READHEAD	Non-Executive Director
IAN MACLIVER	Non- Executive Director

COMPANY SECRETARY

Angela Dent

REGISTERED OFFICE

Level 1, 7 Havelock Street
West Perth 6005, Western Australia
Telephone: 61-8-9485-2355
Facsimile: 61-8-9485-2305
Email: admin@mtgibsoniron.com.au

SOLICITORS

Pullinger Readhead Stewart
46-50 Kings Park Road
West Perth 6005, Western Australia

SHARE REGISTRY

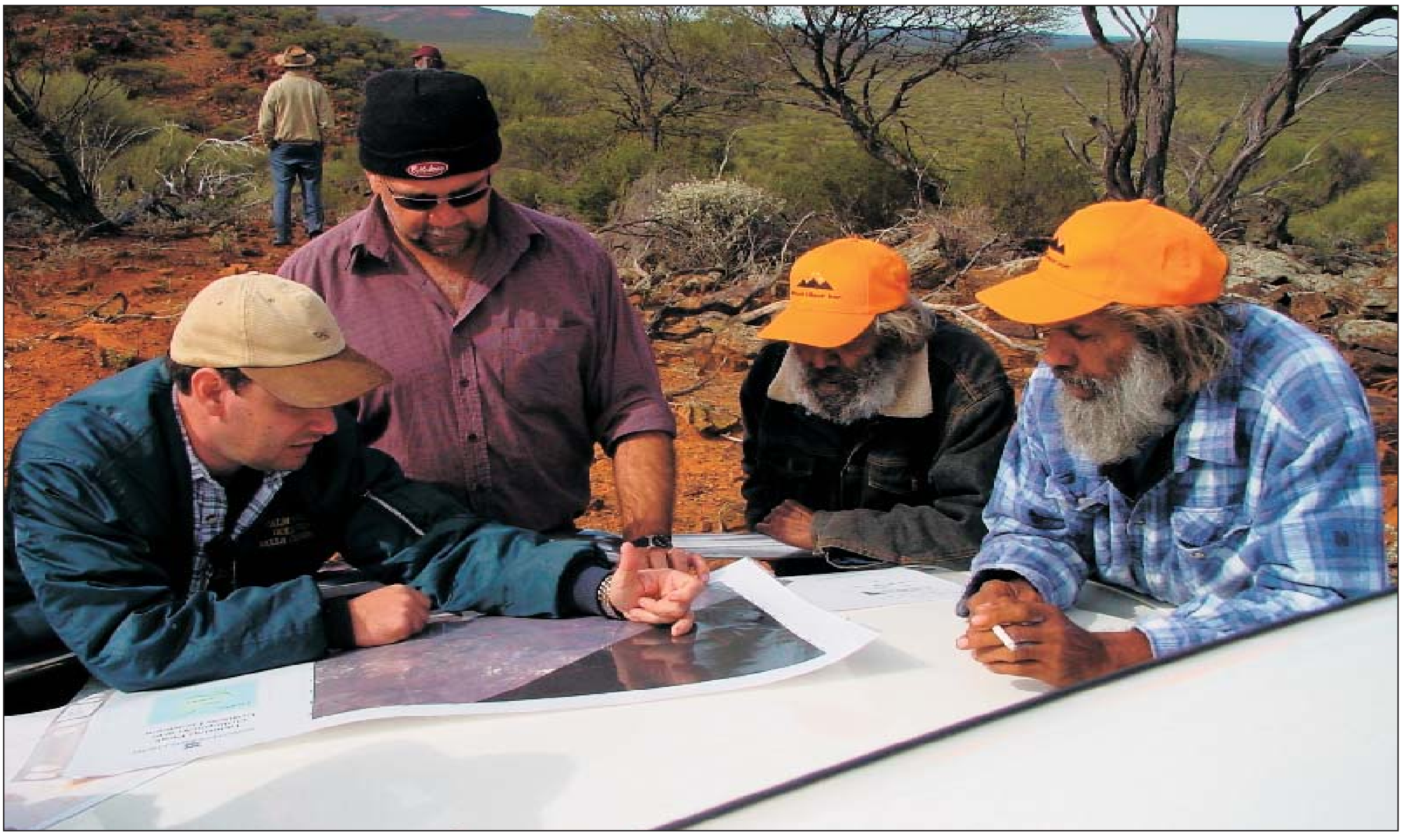
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth 6000, Western Australia
Telephone: 61-8-9323-2000
Facsimile: 61-8-9323-2033

AUDITORS

Ernst & Young
152 St Georges Terrace
Perth 6000, Western Australia

BANKERS

HSBC Bank Australia Limited
188-190 St Georges Terrace
Perth 6000, Western Australia



Above: Aboriginal Heritage Survey, Tallering Peak, June 2002.

Front Cover: Drilling, Tallering Peak, July 2002.

CHAIRMAN'S LETTER

Dear Shareholder,

It is a pleasure to present Mount Gibson Iron Limited's first Annual Report since its re-listing on the Australian Stock Exchange in January 2002 as a developer of its extensive iron ore deposits in the Mid West region of Western Australia.

By mid next year, the contributions of both Shareholders and Management should have resulted in the development and commissioning of a 1.5Mtpa hematite mine at Tallering Peak, 130km east of the Port of Geraldton.

During the period under review, pre-development work progressed satisfactorily on both the recently acquired Tallering Peak hematite project, and on the Mt Gibson hematite project, 330km east of Geraldton, which is planned to be commissioned in mid 2004, also at a production rate of 1.5Mtpa.

Since balance date, the Company has raised $ 3.0 million through a share placement and the issue of Convertible Notes, and has recently committed to placing approximately 44 million shares to a private European investment trust to raise a further $11.0 million.

On completion of this capital raising, the Company should be adequately funded to achieve its near term objective of developing the two hematite mines.

Another significant event since balance date has been the commencement of a major dredging program at Geraldton which, when completed in July 2003, will permit the loading of 60,000 tonne bulk cargos.

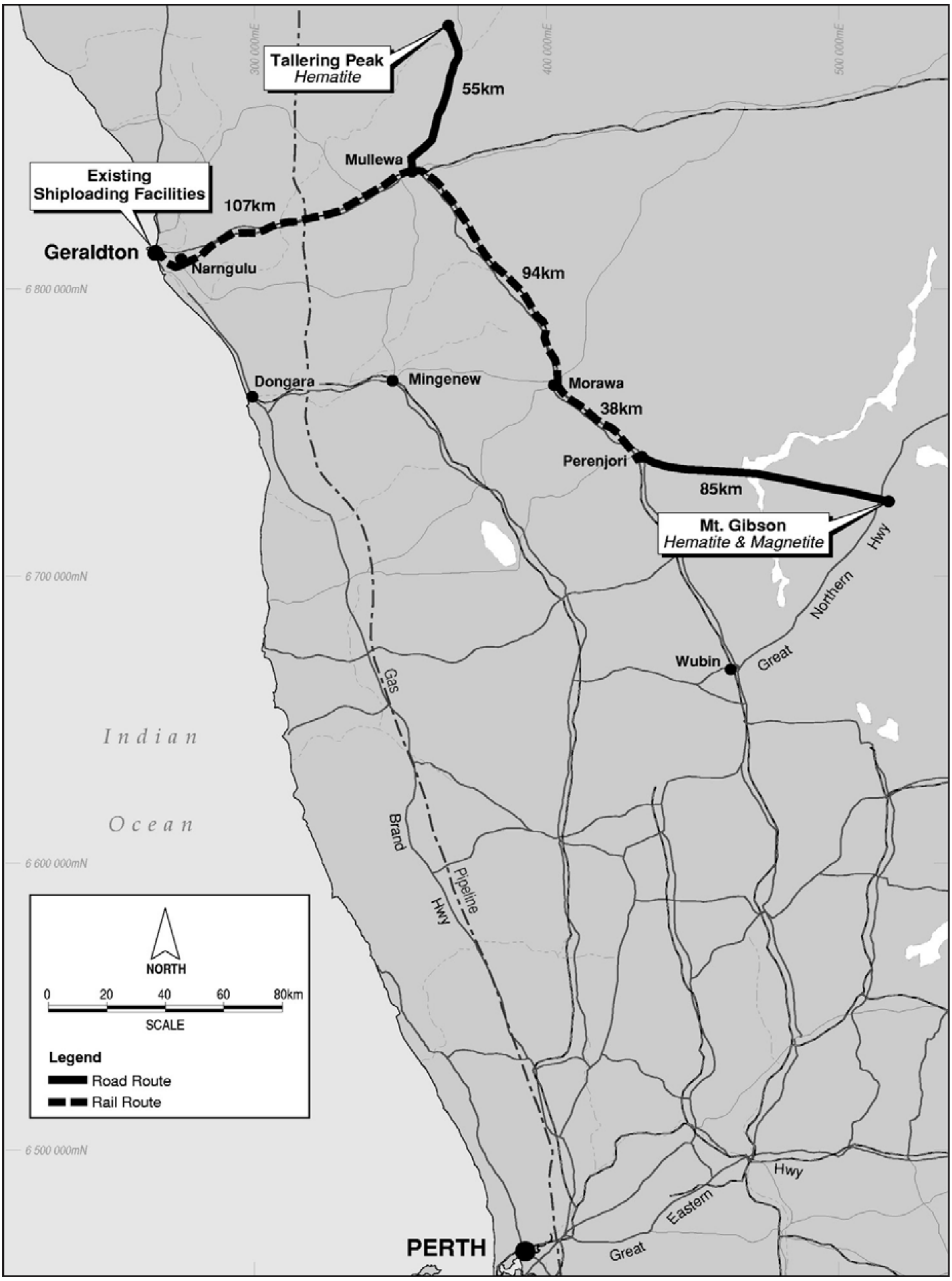
Mount Gibson Iron's emergence over the next two years as a producer of approximately 3.0Mtpa of direct shipping grade hematite is expected to provide the impetus and internal cash flows to support subsequent development of the Company's world class magnetite deposit at Mt Gibson.

With long term contracts in place for two thirds of the proposed hematite production, and strong interest being shown by the market in the balance, the Company is well placed to become a profitable niche producer of iron ore.

Yours sincerely,

WILLIAM B WILLIS
CHAIRMAN
Perth, 11 October 2002.

PROJECT LOCATIONS



TALLERING PEAK HEMATITE

Location

The Tallering Peak iron deposits are located 130km east of Geraldton in the Mid West region of Western Australia (refer map on page 2) and were purchased from Kingstream Steel Limited (Subject to Deed of Company Arrangement) for $4.53 million, with settlement occurring on 1 August 2002.

Resources

Based on results from over $25.0 million of expenditure on exploration by the previous owner of the Tallering Peak mining tenements, and subsequent infill and confirmatory drilling by Mount Gibson Iron, a resource of 21Mt of direct shipping grade hematite ore has been established by the Company's consultants.

The resource is likely to be increased with further drilling of relatively unexplored targets on the tenements, and the Company is confident of establishing a mine life of eight to ten years at its intended production of 1.5Mtpa.

Additional tonnage is also expected to be secured through beneficiation of lower grade ores and mining of kanga and detrital ore deposits occurring on the flanks of the Tallering Range.

Operations

Mining operations are planned to commence in the second quarter of 2003 with mining, crushing and screening of the hematite to two standard product sizes being undertaken by experienced contractors:

· > 6mm < 32mm (lump ore); and
· < 6mm (fines ore)

The contractors will provide all necessary plant and equipment, and their on-site accommodation facilities.

Ore will be transported 55km by 135 tonne capacity road trains to a rail load out facility to be constructed 3km west of Mullewa, from where it will be railed 107km to the port of Geraldton.

The Company intends to construct a 150,000 tonne capacity iron ore storage facility on land leased from the Geraldton Port Authority, with the train unloader, conveyor systems and 1,800tph shiploader being provided and operated by the Port Authority at contracted rates.

The Company's staff will be responsible for on-going mine planning, grade control and product quality.

Ore Quality

Tallering Peak hematite will be one of the best quality iron ores produced in Western Australia, with hard, sharp ore that will not degrade significantly during handling, high iron content, and low levels of phosphorus and sulphur.

The target specification is as follows:

Chemical Composition	Weight % Dry Lump	Fines	
Iron (Fe)	64.00	62.75	min
Silica (SiO_2)	4.00	4.50	max
Alumina (Al_2O_3)	2.00	2.20	max
Phosphorus (P)	0.025	0.035	max
Sulphur (S)	0.03	0.035	max
MgO	1.00	1.15	indicative
CaO	0.04	0.04	indicative
MnO	0.022	0.025	indicative
K_2O	0.04	0.04	max
Loss on ignition (LOI)	1.50	1.75	max

The ratio of lump to fines ore is expected to be in the order of 65:35, which is higher than most Western Australian iron ores.

Marketing

The Company has entered into a contract with a subsidiary of Stemcor Limited, a major international steel and commodity trader, to purchase 500,000tpa of lump ore for the life of the Tallering Peak hematite mine at annually adjusted prevailing ore prices.

Stemcor, which is a shareholder of Mount Gibson Iron, intends to on-sell the ore to one or two Chinese steel mills and purchase steel product of equal or greater value from the same mills.

Negotiations are proceeding to fix long term contracts with a regional group of mills in China for the 500,000tpa of fines that will be produced at Tallering Peak, while the remaining 500,000tpa of lump ore is expected to be sold to Japanese mills.

The Tallering Peak hematite is of such excellent quality (similar to the premium ore produced by the Sishen mine in South Africa), that the Company is confident it will be in demand to blend with lesser quality ores.

Native Title/Aboriginal Heritage

An Aboriginal Heritage survey has been conducted with one of two groups with registered Native Title Claims over Tallering Peak. Agreements have been formalised in respect to exploration, mining access and proposed operations.

The second claimant group's interest in the project area has been addressed by earlier Heritage surveys, and commercial arrangements negotiated with Kingstream Steel.

Investment

In addition to the acquisition cost for the Tallering Peak iron deposits, approximately $9.0 million will be spent on infill drilling, metallurgical testwork and mine planning, site offices, laboratory, road upgrades, rail spur, iron ore storage facilities at Geraldton Port, Native Title payments and project management to develop the proposed mine.

It is anticipated that approximately 40% of the required expenditure on capital works will be financed by three principal contractors and recovered within their charge-out rates.

*"Leonardo da Vinci", the world's largest dredge, Geraldton, October 2002.
(photo courtesy Jan de Nul N.V.)*

MT GIBSON HEMATITE

Location

The Mt Gibson iron deposits are located 330km south east of Geraldton (refer map on page 2) and were acquired in 1996.

Resources

Since acquisition, approximately $10.0 million has been spent on exploration, extensive drilling, metallurgical testwork and evaluation of the potential of the Extension Hill iron deposit, one of nine within the Mt Gibson range.

Whereas the majority of expenditure has been focussed on the magnetite ore body, sufficient work has been done on the overlying hematite at Extension Hill and Iron Hill to establish a combined measured resource of 7Mt of direct shipping grade hematite.

The Company's consultants have reported their confidence in delineating, with further exploration, sufficient reserves of hematite in the remaining seven iron deposits to justify planning for a 1.5Mtpa mining operation with a ten year mine life.

Operations

Subject to satisfactory results from a proposed exploration program in the second quarter of 2003, a mining operation will be established at Mt Gibson with first shipments of hematite ore scheduled for mid 2004.

The 1.5Mtpa Mt Gibson operation will be contractor based, with ore trucked 85km to a railhead at Perenjori and railed 240km to Geraldton for shipping.

The project is reliant on the Government of Western Australia upgrading the Mt Gibson to Perenjori road prior to mine development, which based on negotiations to date, appears probable.

Ore Quality

Mt Gibson hematite will be comparable with the better quality ores mined in the Pilbara region of Western Australia.

The target specification is as follows:

Chemical	Weight % Dry		
Composition	Lump	Fines	
Iron (Fe)	64.00	62.50	min
Silica (SiO_2)	3.00	4.00	max
Alumina (Al_2O_3)	1.00	1.50	max
Phosphorus (P)	0.05	0.06	max
Sulphur (S)	0.03	0.03	max
MgO	0.20	0.22	indicative
CaO	0.10	0.15	indicative
Loss on ignition (LOI)	4.00	5.00	max

The ratio of lump to fines ore is expected to be in the order of 47:53.

Marketing

The Company has entered into a contract with Glencore International AG, a major international commodities trader, whereby Glencore will purchase the 1.5Mtpa planned production of hematite from Mt Gibson, subject to being satisfied with the chemical composition and metallurgical characteristics of the ore.

The sales contract is for five years from mine commencement, renewable for a further five years at the Company's option.

Native Title/Aboriginal Heritage

An access agreement has been finalised with the registered Native Title claimants over the Mt Gibson Range, and a Heritage Survey conducted over the proposed Extension Hill and Iron Hill minesites has cleared the areas for mining.

Investment

In addition to the expenditure to date, Mount Gibson Iron will be required to spend a further $3.0 million on infill drilling, metallurgical testwork, mine planning, and various capital items, to develop the proposed hematite mine.

It is anticipated funds for the development will be sourced from cash flows from the Tallering Peak operation.

MT GIBSON MAGNETITE

Resources

Mount Gibson Iron has established a proven resource of over 200Mt of magnetite at Extension Hill, one of the nine iron deposits at Mt Gibson.

Metallurgical testwork in Canada (Lakefield Research), Germany (Lurgi), and USA (Midrex Direct Reduction Corporation) has demonstrated the ore will produce high grade magnetite concentrate suitable as feed for production of iron pellets or pig iron.

The potential magnetite resource within the Mt Gibson range is in excess of one billion tonnes.

Concentrate Quality

The target specifications for the two grades of magnetite concentrate that could be produced from Extension Hill for iron pellets are as follows:

Chemical Composition	Direct Reduction Grade	Blast Furnace Grade
Iron (Fe)	71.00%	68.80%
Silica (SiO_2)	1.25%	3.50%
Alumina (Al_2O_3)	0.44%	0.80%
Phosphorus (P)	0.03%	0.06%
Sulphur (S)	0.01%	0.02%
MgO	0.13%	0.26%
CaO	0.08%	0.16%
TiO_2	0.05%	0.10%
MnO	0.03%	0.06%
Blaine Index	1850cm^2/gm	1850cm^2/gm

Standard test procedures carried out by Midrex on direct reduction grade pellets produced by Lurgi from Extension Hill magnetite concentrate, demonstrated good reducibility and produced Direct Reduced Iron with a commercially acceptable chemical composition.

The Company holds a 50% interest in the Mt Gibson magnetite deposits, with the balance under option until 31 December 2005 at a purchase price of $17.5 million.

Operations

The Company is currently investigating the viability of producing magnetite concentrate which would require expansion of the Extension Hill hematite mining operation to encompass extraction of the underlying magnetite.

The magnetite concentrate would have a small particle size after grinding the ore and concentration by magnetic separation and flotation, and as a result would be suitable for economic transport to Geraldton by pumping through a slurry pipeline.

Marketing

The Company is responding to interest being shown by a regional pellet producer in purchasing 2.0Mtpa of high grade magnetite concentrate on a long term basis.

A number of parties are also showing interest in establishing a plant near Geraldton for the production of 500,000tpa of pig iron, which would also rely on the supply of magnetite concentrate from Mt Gibson.

Mount Gibson Iron

ANNUAL FINANCIAL REPORT

For The Year Ended 30 June 2002

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2002.

DIRECTORS

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

Names, Qualifications and Experience

Bill Willis ***(Chairman)***

Mr Willis is a geologist with extensive technical and management experience in the Australian mining sector, particularly in iron ore. He was an Executive Director and Chief Executive of Robe River Mining Co Pty Limited. Mr Willis was responsible for the joint venture between North Limited, Nippon Steel, Mitsui and Sumitomo Metals for the operation and expansion of the Robe River iron ore project in the Pilbara region of Western Australia. Earlier, Mr Willis worked for BHP and was involved in exploration, mine geology and management of iron ore production at the company's iron ore mines at Koolyanobbing and Yampi Sound, and exploration and mine geology at Mt Newman. Mr Willis was appointed to the Board on 21 December 2001.

Brian Johnson ***(Managing Director)***

Mr Johnson is a civil engineer with extensive experience in the construction and mining industries in Australia, South East Asia and North America. He has held a number of directorships in listed public companies. As a major shareholder and Chief Executive, Mr Johnson was instrumental in establishing Portman Limited's presence in the iron ore industry between 1991 and 1994, developing mines at Koolyanobbing and Cockatoo Island. He also personally partnered Mr Lang Hancock in the development and operation of McCamey's Monster iron ore mine in the Pilbara, prior to its sale to the BHP Group. Mr Johnson has experience in dealing with regional steel mills and major trading houses through his previous involvement in the production of coking coal, manganese and iron ore. Mr Johnson was appointed to the Board on 21 December 2001.

Craig Readhead ***(Non-Executive Director)***

Mr Readhead holds the degrees Bachelor of Laws and Bachelor of Jurisprudence from the University of Western Australia. He has spent the last 23 years practising in the resources law area and is now a partner of law firm Pullinger Readhead Stewart. Mr Readhead has had a significant legal role in the development of a number of mining projects within Australia, Africa and South East Asia. Mr Readhead is a Director of a number of listed and unlisted mining and exploration companies, and is past President of the Australian Mining and Petroleum Law Association and past Vice-President of the Association of Mining and Exploration Companies. He was appointed as a Director of Mount Gibson Iron Limited on 21 December 2001.

Ian Macliver ***(Non-Executive Director)***

Mr Macliver is a Chartered Accountant with 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 a Director of a number of public companies.

Jeremy Shervington (***Non-Executive Director)***

Mr Shervington is a solicitor and is a partner in the Western Australian legal firm of Fearis Salter Power Shervington. He specialises in the laws regulating companies and the securities industry in Australia. He is a Director of a number of listed companies. Mr Shervington resigned from the Board on 21 December 2001.

Allan Bale ***(Non-Executive Director)***

Mr Bale is a Chartered Accountant and was previously the listing manager of The Stock Exchange of Perth Limited. He has spent many years in private practice specialising in corporate finance and company secretarial matters. He has served as a Director and Secretary of numerous listed companies. Mr Bale resigned from the Board on 21 December 2001.

DIRECTORS' REPORT

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 Mount Gibson Iron Limited were:

	Ordinary Shares	Options over Shares
B Willis	210,000	5,327,783
B Johnson	-	-
C Readhead	177,500	2,015,695
I Macliver	540,833	2,065,348

CORPORATE INFORMATION

Corporate Structure

Mount Gibson Iron Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company was formerly known as Whittakers Limited, and changed its name on 21 December 2001.

Mount Gibson Iron Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which were:

· Mount Gibson Iron Limited;
· Mount Gibson Mining Limited (acquired 31 December 2001); and
· Whittakers Timber Pty Limited (acquired 19 December 2001).

The Consolidated Entity did not exist as at 30 June 2001, therefore no comparative figures are provided.

Nature of Operations and Principal Activities

Since the acquisition of Mount Gibson Mining Limited the principal activities of the entities within the Consolidated Entity were:

· exploration and development of hematite and magnetite deposits in the Mid-West region of Western Australia;
· supply of timber to the building industry in the South-West region of Western Australia.

Prior to the acquisition, Mount Gibson Iron Limited conducted the timber products business and held investments in listed securities and property.

Employees

The Consolidated Entity employed 10 employees as at 30 June 2002 (2001: 7 employees).

Future Funding

As at the date of this report the Directors are negotiating with potential strategic investors and intend to make a placement of shares of 15% of the issued capital of the Company in the near future, to assist in the funding of development costs for the Tallering Peak iron deposit. Alternative funding arrangements are also being investigated.

REVIEW AND RESULTS OF OPERATIONS

A review of the Consolidated Entity's operations are included in the Review of Projects, page 3 of this report.

Operating Results for the Period

The operating loss of the Company and Consolidated Entity, after providing for income tax of $nil, was $400,300 (2001: $59,808) and $400,300 respectively.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity other than those referred to elsewhere in this report or the financial statements or notes thereto.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Since the end of the financial year the following has occurred. The financial effect of each of the events, if any, has not been recognised.

On 1 August 2002 a Port Services Agreement was signed with Geraldton Port Authority for the unloading of ore trains, handling and stockpiling of iron products, and loading of ore carriers.

Under the Port Services Agreement the Company was required to provide security against future port charges. The security provided was a $2.5 million mortgage over the mining tenements at Mt Gibson, a $5.0 million bank guarantee, and a corporate guarantee to a maximum of $11.25 million. The bank guarantee was provided by HSBC Bank Australia Limited after $5 million was placed on deposit. Under the Agreement the bank guarantee is to be reduced as the Company constructs iron ore storage and handling facilities at the Port of Geraldton.

On the signing of the Port Services Agreement, a Mining Rights and Sale Agreement with the Administrators of Kingstream Steel Limited (Subject to Deed of Company Arrangement) for the purchase of the Tallering Peak iron ore deposits, for $4.53 million, became unconditional.

Funds for the purchase of Tallering Peak and the term deposit were raised by the issue of Convertible Notes to the value of $5 million ($3 million had been raised at 30 June), Share placements of $2 million and a $2 million loan repayable on 31 October 2002 . It is intended to repay the loan from a further issue of Shares .

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as referred to in the Review of Projects and in this report, further information as to likely developments in the operations of the 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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's future operations will be subject to environmental regulations under Commonwealth and State legislation.

SHARE OPTIONS

Details of Options over Ordinary Shares 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	Options on issue at Date of report
25 cents	On or before 31 December 2003	24,384,950	33,198,887
25 cents	Between 1 January and 31 December 2003 *	5,500,000	5,500,000
15.84 cents	On or before 28 February 2006	2,083,332	2,083,332
Total		31,968,282	40,782,219

* Issued to Directors or their nominees and exerciseable only if the relevant Director remains in office at 31 December 2002.

As at the date of this report there are $5,000,000 of Convertible Notes on issue, convertible to 16,666,667 Shares at 30 cents per share, at 6 monthly intervals from 31 December 2002 to 31 December 2005 (Nil on issue at balance date).

Optionholders do not have any right, by virtue of the Option, to participate in any Share issue of the Company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during the financial period, indemnified or made any relevant agreement for indemnifying, any person who is or has been an officer or auditor of the Company or a related body corporate, against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings.

Since the end of the financial year, the Company has accrued premiums in respect of a contract insuring all the Directors of Mount Gibson Iron Limited against costs incurred in defending proceedings for conduct involving:

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

The total amount of insurance contract premiums payable is $29,376.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The maximum total compensation payable to Non-executive Directors is $150,000 and was approved by Shareholders on 18 December 2001. The Board assesses the appropriateness of the nature and amount of emoluments of all officers 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 Board.

Details of the nature and amount of each element of the emolument of each Director of the Company for the financial period are as follows:

	Annual Emoluments			Termination & Similar Payments	Long Term Emoluments		Super-annuation
	Base Fee	Bonus	Other		Options Granted		
	$	$	$	$	Number	$	$
B Willis	23,148	-	26,638	-	-	-	6,102
B Johnson	146,500	-	-	-	-	-	-
C Readhead	16,666	-	-	-	-	-	1,334
I Macliver	29,166	-	-	-	750,000	84,000	2,334
J Shervington	19,000	-	-	-	-	-	1,520
A Bale	11,875	-	-	-	-	-	950

* The Options granted were valued by an independent firm of chartered accountants using the Black-Scholes valuation model. The Options were granted to a company associated with the Director.

Options over Shares granted to Directors and Executive Officers, or their nominees, under the Company Employee Share Scheme (refer Note 18) since balance date are as follows:

	Options Granted	
	Number	$
B Willis	1,942,783	114,624
B Johnson	2,914,174	171,936
C Readhead	485,695	28,656
I Macliver	485,695	28,656
A Dent	242,847	14,328
D Coulthard	242,847	14,238

* The Options are all exerciseable at 25 cents on or before 31 December 2003 and are valued at market value on the date of issue.

DIRECTORS' MEETINGS

The numbers of meetings of Directors held during the period that each Director held office, and the number of meetings attended by each Director were as follows:

	Meetings held	Meetings attended
B Willis	5	5
B Johnson	5	5
C Readhead	5	5
I Macliver	10	10
J Shervington	6	6
A Bale	6	6

No audit committee meetings were held prior to the end of the financial year.

DIVIDENDS

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Mount Gibson Iron Limited 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 this annual report.

Signed in accordance with a Resolution of the Directors.

WB Willis
Chairman
Perth, 27 September 2002.

Mount Gibson Iron

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 30 June 2002

	NOTES	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
REVENUES FROM ORDINARY ACTIVITIES	2	1,845,221	1,037,232	697,375
Cost of goods sold (timber business)		(968,478)	(334,722)	(158,538)
Operating expenses (timber business)		(372,959)	(178,220)	(110,879)
Administration expenses		(147,689)	(67,309)	-
Corporate expenses		(310,592)	(268,603)	(82,558)
Borrowing expenses	3	(4,255)	(1,185)	(453)
Property, plant and equipment sold		(317,554)	(317,554)	(59,009)
Listed investments sold		(84,955)	(84,955)	(298,183)
Write-down of investment		(33,700)	(179,645)	-
Other expenses		(5,339)	(5,339)	(47,563)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(400,300)	(400,300)	(59,808)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF MOUNT GIBSON IRON LIMITED		(400,300)	(400,300)	(59,808)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(400,300)	(400,300)	(59,808)
Basic earnings per share (cents per share)	20	(0.589)	-	(0.275)
Diluted earnings per share (cents per share)	20	(0.589)	-	(0.275)

STATEMENT OF FINANCIAL POSITION

For The Year Ended 30 June 2002

	NOTES	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
CURRENT ASSETS				
Cash assets		3,403,260	3,342,478	1,259,968
Receivables	5	1,071,086	767,834	106,134
Inventory	6	232,817	-	160,797
Other financial assets	7	52,250	52,250	165,750
Other	8	46,818	33,642	18,530
TOTAL CURRENT ASSETS		4,806,231	4,196,204	1,711,179
NON-CURRENT ASSETS				
Receivables	5	159,131	2,269,716	-
Other financial assets	7	7,223,858	17,482,555	345,530
Property, plant and equipment	9	190,007	5,400	65,142
Acquisition, exploration, evaluation and development costs	10	12,355,774	-	-
Other	8	5,352	2,350	-
TOTAL NON-CURRENT ASSETS		19,934,122	19,760,021	410,672
TOTAL ASSETS		24,740,353	23,956,225	2,121,851
CURRENT LIABILITIES				
Payables	11	3,877,630	3,187,815	92,551
Interest-bearing liabilities	12	12,948	-	3,924
Provisions	13	4,819	-	3,676
TOTAL CURRENT LIABILITIES		3,895,397	3,187,815	100,151
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	12	76,546	-	23,564
TOTAL NON-CURRENT LIABILITIES		76,546	-	23,564
TOTAL LIABILITIES		3,971,943	3,187, 815	123,715
NET ASSETS		20,768,410	20,768,410	1,998,136
EQUITY				
Contributed equity	14	21,228,518	21,228,518	2,057,944
Accumulated losses	15	(460,108)	(460,108)	(59,808)
TOTAL EQUITY		20,768,410	20,768,410	1,998,136

Mount Gibson Iron

STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2002

	NOTES	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES				
Receipts from customers		1,026,181	588,673	116,492
Payments to suppliers and employees		(3,325,927)	(1,052,742)	(404,873)
Interest received		60,387	60,387	18,108
Borrowing costs		(5,234)	(1,185)	-
CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(2,244,593)	(404,867)	(270,273)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		408,423	408,423	106,685
Purchase of property, plant and equipment		(55,221)	-	(479,978)
Loan to subsidiary		-	(1,887,237)	-
Purchase of controlled entity	16(e)	(115,239)	(207,817)	-
Proceeds from sale of financial assets		99,259	99,259	349,955
Payments for financial assets		(4,125)	(4,128)	(502,802)
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		333,097	(1,591,500)	(526,140)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary shares		2,000,017	2,000,017	2,600,000
Proceeds from Convertible Notes		2,225,000	2,225,000	-
Payments for capital raising		(148,132)	(145,130)	(186,000)
Payments associated with DOCA		-	-	(356,054)
Repayment of borrowings – other		(22,097)	(740)	(1,565)
CASH FLOWS FROM FINANCING ACTIVITIES		4,054,788	4,079,147	2,056,381
NET INCREASE/(DECREASE) IN CASH HELD		2,143,292	2,082,780	1,259,968
Add opening cash brought forward		1,259,968	1,259,968	-
CLOSING CASH CARRIED FORWARD	16(b)	3,403,260	3,342,478	1,259,968

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for current listed shares measured at market value and other investments measured at fair value.

(b) Going concern basis

The financial report has been prepared on the going concern basis. The ability of the Company to pay its debts as and when they fall due is dependant on the successful sourcing of additional funds. The Directors are currently evaluating various options and sources of funding and on this basis believe the adoption of the going concern basis is justified. However, should sources of funding not become available the Company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the course of normal business and at amounts different from those stated in the financial statements.

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to earnings per share.

The Consolidated Entity has adopted the revised Accounting Standard AASB 1027 "Earnings Per Share" and has for the first time, determined basic and diluted earnings per share in accordance with the revised Standard. Basic earnings per share (EPS) was previously calculated, by the Company, by dividing the profit from ordinary activities after tax and preference dividends by the weighted average number of ordinary shares outstanding during the financial year. In accordance with the revised AASB 1027, basic EPS is now calculated as net profit attributable to members, adjusted to exclude 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 EPS was previously determined, by the Company, by dividing the profit from ordinary activities after tax and preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year. In accordance with AASB 1027, diluted EPS is now calculated as net profit attributable to members, 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. The effect of the revised policy has been $nil.

(d) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Mount Gibson Iron Limited (the parent company) and all entities that Mount Gibson Iron Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

All subsidiaries of Mount Gibson Iron Limited have been acquired since 30 June 2001. Therefore there are no prior year comparatives provided for the Consolidated Entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent 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.

(e) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the Consolidated Entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the Consolidated Entity that are outstanding at the reporting date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

(f) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(g) Receivables

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

Receivables from related parties are recognised and carried at the nominal amount due.

(h) Investments

Listed shares held for trading are carried at net market value. Changes in net market value are recognised as revenue or expense in the statement of financial performance for the period.

Where listed shares have been revalued, any capital gains tax which may become payable has not been taken into account in determining the revalued carry amount. Where it is expected that a liability for capital gains tax exists, this amount is recognised in the statement of financial performance for the reporting period.

All other non-current investments are carried at the lower of cost and recoverable amount.

(i) Inventories

Manufacturing and maintenance

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

· raw materials - purchase cost on a first-in-first-out basis; and

· finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Assets held for resale

Freehold property and other assets held for resale are valued at the lower of cost and net realisable value.

(j) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(k) Property, plant and equipment

Cost and valuation

All classes of property, plant and equipment are measured at cost.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	2002	2001
Plant and equipment;		
· plant and equipment	2 - 5 years	2 - 5 years
· plant and equipment under lease	4 - 5 years	4 - 5 years

(l) Leases

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 on a straight-line basis.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease, a lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(m) Acquisition, exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or 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.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

(n) Other non-current assets

Expenditure carried forward

Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

(o) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

(p) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.
Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

(q) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constrictive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(r) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.
Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Revenue recognition

Revenue is recognised 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

Control of the goods has passed to the buyer.

Rendering of services
Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest
Control of the right to receive the interest payment.

Dividends
Control of the right to receive the dividend payment.

(t) Taxes

Income taxes

Tax-effective accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Service Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

(u) Employee entitlements

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

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have terms to maturity approximating the terms of the related liability, are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

· wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
· other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of the employee share incentive scheme described in note 18 is not being charged as an employee entitlement expense.

In respect of the Consolidated Entity's defined benefits superannuation plans, any contributions made to the superannuation plans by entities within the Consolidated Entity are charged against profits when due.

(v) Earnings per Share

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

· costs of servicing equity (other than dividends);
· the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
· other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
2. REVENUE FROM ORDINARY ACTIVITIES		$	$	$
Revenues from operating activities				
Revenue from sale of goods		1,266,744	466,786	220,481
Total revenues from operating activities		1,266,744	466,786	220,481
Revenues from non-operating activities				
Rent		1,700	1,700	2,145
Interest – other persons/ corporations		60,387	59,502	18,108
Proceeds from disposal of property, plant and equipment		408,423	408,423	106,686
Proceeds from sale of listed investments		100,290	100,290	349,955
Other revenue		7,677	531	-
Total revenues from non-operating activities		578,477	570,446	476,894
Total revenues from ordinary activities		1,845,221	1,037,232	697,375

3. EXPENSES AND LOSSES				
a) **Expenses**				
Depreciation of non-current assets				
Plant and equipment		(21,763)	(6,811)	(8,544)
Plant and equipment under lease		(8,996)	(1,755)	(1,755)
Total depreciation of non-current assets		(30,759)	(8,566)	(10,299)
Borrowing costs expensed				
Interest expense				
- finance lease		3,277	1,185	453
- loan		1,957	-	-
Total borrowing costs		5,234	1,185	453
Less: Borrowing costs capitalised		(979)	-	-
Total borrowing costs expensed		4,255	1,185	453
Doubtful debts		-	29,649	-
Exploration, evaluation and development costs		12,633	-	-
Decrement in value of investments		33,700	179,645	38,869
Operating lease rental		72,829	30,003	-
b) **Losses/ (gains)**				
Net loss/ (gain) on disposal of financial assets		(15,334)	(15,334)	(51,772)
Net loss/ (gain) on disposal of property, plant and equipment		(90,869)	(90,869)	(47,677)

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
4. INCOME TAX		$	$	$
The prima facie tax on profit differs from the income tax provided in the financial statements as follows:				
Prima facie tax on loss from ordinary activities		(120,090)	(120,090)	(17,943)
Tax effect of permanent differences				
Non-deductible legal expenses		490	445	-
Future income tax benefit not bought to account		119,600	119,645	17,943
Income tax expense attributable to ordinary activities		-	-	-
Income tax losses				
Future income tax benefit arising from income tax losses not brought to account at reporting date as realisation of the benefit is not regarded as virtually certain		10,319,392	203,380	59,738

The future income tax benefit will only be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

b) the conditions for deductibility imposed by tax legislation continue to be applied with; and

c) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
5. RECEIVABLES		$	$	$
CURRENT				
Trade debtors	(b)	303,768	584	106,134
Sundry debtors	(b)	767,318	767,250	-
		1,071,086	767,834	106,134
NON-CURRENT				
Other receivables		159,131	2,299,365	-
Less: provision for doubtful debts		-	(29,649)	-
		159,131	2,269,716	-
a) **Related party receivables**				
CURRENT				
Associated companies		95,666	94,334	-
NON-CURRENT				
Controlled entities		-	2,269,716	-
Associated companies		159,131	-	-
		159,131	2,269,716	106,134

b) **Terms and conditions**

Terms and conditions relating to the above financial instruments

i) Trade debtors are non-interest bearing and generally on 30 day terms.

ii) Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.

iii) Related party receivables are non-interest bearing with no fixed repayment date.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
6. INVENTORY				
Timber inventory		232,817	-	160,797

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
7. OTHER FINANCIAL ASSETS		$	$	$
CURRENT				
Listed shares	(a)	102,177	102,177	204,619
Provision for diminution		(49,927)	(49,927)	(38,869)
		52,250	52,250	165,750
NON-CURRENT				
Investments at cost comprise:				
Controlled entities	27	-	17,482,555	-
Associated entity	(b) (c)	7,223,858	-	-
Investment properties		-	-	340,130
		7,223,858	17,482,555	340,130

a) Listed shares are readily saleable with no fixed terms. There would be no capital gains tax if these assets were sold at reporting date. The carrying value is market value at balance date.

b) The associated entity, Asia Iron Pty Limited is carried at deemed cost. Capital gains tax would be payable if this asset was sold at reporting date. It is not held for re-sale.

c) Asia Iron Pty Limited is not accounted for using the equity accounting method as its sole purpose is to hold the tenements over the Mt Gibson iron deposits, the results are immaterial.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
8. OTHER ASSETS		$	$	$
CURRENT				
Prepayments		46,818	33,642	18,530
NON-CURRENT				
Expenditure carried forward		5,352	2,350	-
9. PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At cost		5,400	5,400	5,400
Plant and equipment				
At cost		189,491	-	46,600
Accumulated depreciation		(58,095)	-	(8,302)
		131,396	-	38,298
Plant and equipment under lease				
At cost		63,166	-	28,599
Accumulated depreciation		(9,955)	-	(1,755)
		53,211	-	26,844

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		$	$	$
Total property, plant and equipment				
At cost		258,057	5,400	80,599
Accumulated depreciation		(68,050)	-	(10,057)
		190,007	5,400	70,542

a) **Assets pledged as security**

i) Included in the balance of plant and equipment is a vehicle which has been pledged as security for the loan used for its purchase (refer Note 12).

ii) Assets under lease are pledged as security for the associated lease liabilities.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
The value of assets pledged as security are:				
Plant and equipment		48,414	-	-
Plant and equipment under lease		53,211	-	26,844
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 beginning		-	38,298	-
Additions and transfers		153,159	-	49,358
Disposals		-	(31,487)	(2,758)
Depreciation expense		(21,763)	(6,811)	(8,302)
		131,396	-	38,298
Plant and equipment under lease				
Carrying amount at beginning		-	26,844	-
Additions		62,207	-	28,599
Disposals		-	(25,089)	-
Depreciation expense		(8,996)	(1,755)	(1,755)
		53,211	-	26,844
10. ACQUISITION, EXPLORATION, EVALUATION AND DEVELOPMENT COSTS				
Acquisition, exploration, evaluation and development costs carried forward in respect of mining areas of interest				
Tallering Peak Hematite		731,644	-	-
Mt Gibson Hematite		5,287,100	-	-
Mt Gibson Magnetite		6,337,030	-	-
		12,355,774	-	-

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
11. PAYABLES				
Trade creditors	(a) (b)	779,031	81,088	92,197
Other creditors	(b) (c)	3,098,599	3,106,727	354
		3,877,630	3,187,815	92,551
a) **Australian dollar equivalents**				
Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:				
United States dollars		11,484	-	-

b) **Terms and conditions**

Terms and conditions relating to the above financial instruments

i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

ii) Other creditors are non-interest bearing and have an average term of 90 days.

c) **Funds held pending completion**

Included in other creditors at balance date are funds held, or receivable by the Company, for Convertible Notes to be issued. The issue of the Convertible Notes was subject to the completion of the contract to purchase the Tallering Peak iron ore deposit. This contract was settled on 1 August 2002 and the Convertible Notes issued on 6 August 2002 (refer Note 19).

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
12. INTEREST-BEARING LIABILITIES		$	$	$
CURRENT				
Lease liability	(a) (b)	8,544	-	3,924
Borrowings secured by mortgage	(b)	4,404	-	-
		12,948	-	3,924
NON-CURRENT				
Lease liability	(a) (b)	43,558	-	23,564
Borrowings secured by mortgage	(b)	32,988	-	-
		76,546	-	23,564

a) **Secured lease liability** - finance lease

b) **Terms and condition relating to the above financial instruments;**

i) Finance leases refer Note 17.

ii) Borrowings are repayable monthly with final instalments due in February 2007. Interest is charged at an average rate of 7.2%. The loan is secured by first mortgage over the vehicle to which it relates.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
13. PROVISIONS				
Employee entitlements		4,819	-	3,676
		4,819	-	3,676

14. CONTRIBUTED EQUITY

	2002 Number of Shares	2002 $	2001 Number of Shares	2001 $
a) Movements in shares on issue				
Beginning of the financial year	1,545,771,317	2,057,944	185,771,317	37,160,600
Share consolidation	(1,524,302,256)	-	-	-
Issued during the year				
- debt capitalisation shares	-	-	60,000,000	60,000
- public equity raising	5,000,000	1,000,000	1,300,000,000	2,600,000
- purchase of Mount Gibson Mining Limited	86,978,440	17,420,688	-	-
- equity placement	4,000,000	1,000,000	-	-
- exercise of Options	70	17	-	-
- technology fee	833,333	-	-	-
Less capital raising costs		(250,131)	-	(186,000)
Less costs associated with DOCA	-	-	-	(356,056)
Accumulated losses written off against issued capital	-	-	-	(37,220,600)
End of the financial year	118,280,904	21,228,518	1,545,771,317	2,057,944

b) **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.

c) **Share Options**

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

Exercise Price	Exercise Date/ Period	Number
25 cents	On or before 31 December 2003	24,384,950
25 cents	Between 1 January and 31 December 2003 (i)	5,500,000
15.84 cents	On or before 28 February 2006 (ii)	2,083,332
Total		31,968,282

i) Issued to Directors or their nominees and exerciseable only if the relevant Director remains in office at 31 December 2002.

ii) As at 30 June 2001 there were 150,000,000 Options on issue, exerciseable at 22 cents per share on or before 20 February 2006. These were converted to 2,083,332 Options as above.

15. RESERVES AND RETAINED LOSSES

	Notes	CONSOLIDATED 2002 $	MOUNT GIBSON IRON LIMITED 2002 $	MOUNT GIBSON IRON LIMITED 2001 $
Accumulated losses		(460,108)	(460,108)	(59,808)
Balance at the beginning of the year		(59,808)	(59,808)	37,220,600
Accumulated losses written off against issued capital		-	-	(37,220,600)
Net loss attributable to members of Mount Gibson Iron Limited		(400,300)	(400,300)	(59,808)
		(460,108)	(460,108)	(59,808)
Dividends provided for or paid		-	-	-
Balance at end of year		(460,108)	(460,108)	(59,808)

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
16. STATEMENT OF CASH FLOWS		$	$	$
a) **Reconciliation of the net loss after tax to the net cash flows from operations**				
Net loss		(400,300)	(400,300)	(59,808)
Non-cash items				
Depreciation of non-current assets		30,759	8,566	10,299
Decrement in net market value of financial assets		33,700	179,645	38,869
Net profit on disposal of financial assets		(15,334)	(15,334)	(51,772)
Net profit on sale of property, plant and equipment		(90,869)	(90,869)	(47,677)
Doubtful debts expense		-	29,649	-
Borrowing costs expense		-	-	453
Borrowing costs capitalised		(979)	-	-
Net assets transferred to subsidiary		-	(412,127)	-
Changes in assets and liabilities				
(Increase)/ decrease in trade and other receivables		(182,265)	105,550	(106,134)
(Increase)/ decrease in inventory		(72,020)	160,797	(168,841)
(Increase) in prepayments		(28,288)	(15,112)	(18,530)
(Increase) in plant and equipment due to acquisition		(27,155)	-	-
(Increase) in capitalised project expenditure		(1,697,741)	(2,350)	-
Increase in creditors and accruals		234,050	21,651	139,264
(Increase)/ decrease in GST paid		(29,293)	29,044	(38,672)
(Increase)/ decrease in employee entitlements		1,142	(3,677)	3,677
Increase in financial lease liability		-	-	28,599
Net cash flow from operating activities		(2,244,593)	(404,867)	(270,273)
b) **Reconciliation of cash**			-	-
Cash balance comprises:				
- cash assets		3,403,260	3,342,478	1,259,968
c) **Financing facilities available**			-	-
At balance date the following financing facility had been negotiated:				
- bank loan – total facility		37,392	-	-
- bank loan – facility utilised		37,392	-	-
- bank loan – unused facility		-	-	-

d) **Non-cash financing activities**

Finance lease transaction

During the financial year the Consolidated Entity acquired plant and equipment with a fair value of $34,567 by means of a finance lease.

In 2001 the Company financed the acquisition of plant and equipment with a fair value of $28,599 by finance lease.

16. STATEMENT OF CASH FLOWS (CONTINUED)

e) **Acquisition of controlled entity**

On 31 December 2001 Mount Gibson Iron Limited acquired 100% of the share capital of Mount Gibson Mining Limited. The components of the acquisition cost were:

Consideration	$
- shares issued	17,420,686
- acquisition costs paid in cash	207,815
	17,628,501
Net assets of Mount Gibson Mining Limited at 31 December 2001	
- cash	92,576
- sundry debtors	15,369
- property, plant and equipment	27,155
- receivable associated entity	158,691
- unlisted investment	7,223,858
- exploration, evaluation and development costs	10,649,715
- creditors and accruals	(746,678)
	17,420,686
Net cash effect	
Cash costs of acquisition	207,815
Cash included in net assets acquired	(92,576)
Cash paid for purchase of entity as reflected in the consolidated financial report	115,239

There were no acquisitions or disposals in 2001.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
17. EXPENDITURE COMMITMENTS		$	$	$
a) **Exploration expenditure commitments**				
Minimum obligations not provided for in the financial report and are payable:	(c)			
- Not later than one year		220,655	-	-
- Later than one year but not later than five years		882,620	-	-
		1,103,275	-	-
b) **Lease expenditure commitments**				
Operating leases (non-cancellable)	(d)			
Minimum lease payments				
- Not later than one year		97,900	97,900	-
- Later than one year but not later than five years		432,358	432,358	-
		530,258	530,258	-

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
17. EXPENDITURE COMMITMENTS (CONTINUED)		$	$	$
b) **Lease expenditure commitments**				
Finance leases				
Minimum lease payments				
- Not later than one year		12,655	-	6,222
- Later than one year but not later than five years		50,550	-	29,262
Total minimum lease payments		63,205	-	35,484
Future finance charges		(11,103)	-	(7,996)
		52,102	-	27,488
Total lease liability accrued for:				
Current				
Finance leases		8,544	-	3,924
Non-current				
Finance leases		43,558	-	23,564
		52,102	-	27,488

c) In order to maintain current rights to explore and mine the Mt Gibson tenements the Consolidated Entity, on behalf of Asia Iron Pty Limited, is required to perform minimum exploration work to meet the expenditure requirements specified by the Department of Mineral and Petroleum Resources.

d) **Terms and condition relating to the above financial instruments**

i) Finance leases 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 rate implicit in the leases is 7.85%. Secured lease liabilities are secured by a charge over the leased assets.

ii) The operating lease is for office space, the initial lease term is 5 years and has an implicit interest rate of 4%.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
18. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS		$	$	$
a) **Employee entitlements**				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs		21,602	4,925	31,286
Provisions (current)		4,819	-	3,676
		26,421	4,925	34,962

b) **Employee share scheme**

An employee share scheme has been established where Directors, Executives and certain staff are issued with Options over the ordinary Shares of the Company. The Options are issued for nil consideration, at the discretion of the Directors, in accordance with the guidelines of the scheme. There are currently 4 Directors and 2 Executives eligible for this scheme.

No Options were granted under the scheme during the year. On 15 May 2002 Shareholders approved the issue of 6,500,000 Options to Directors and Executive Officers, of these 6,314,041 have been issued subsequent to year end. The Options are exerciseable at 25 cents, on or before 31 December 2003.

19. SUBSEQUENT EVENTS

Since the end of the financial year the following has occurred. The financial effect of each of the events, if any, has not been recognised.

On 1 August 2002 a Port Services Agreement was signed with Geraldton Port Authority for the unloading of ore trains, handling and stockpiling of iron products, and loading of ore carriers.

Under the Port Services Agreement the Company was required to provide security against future port charges. The security provided was a $2.5 million mortgage over the mining tenements at Mt Gibson, a $5.0 million bank guarantee, and a corporate guarantee to a maximum of $11.25 million. The bank guarantee was provided by HSBC Bank Australia Limited after $5 million was placed on deposit. Under the Agreement the bank guarantee is to be reduced as the Company constructs iron ore storage and handling facilities at the Port of Geraldton.

On the signing of the Port Services Agreement, a Mining Rights and Sale Agreement with the Administrators of Kingstream Steel Limited (Subject to Deed of Company Arrangement) for the purchase of the Tallering Peak iron ore deposits, for $4.53 million, became unconditional.

Funds for the purchase of Tallering Peak and the term deposit were raised by the issue of Convertible Notes to the value of $5 million ($3 million had been raised at 30 June), Share placements of $2 million (8 million shares at 25 cents) and a $2 million loan repayable on 31 October 2002 . It is intended to repay the loan from a further issue of Shares.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED
		2002	2001
20. EARNINGS PER SHARE		$	$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:			
Losses used in calculating basic and diluted earnings per share		(400,300)	(59,808)
		Number of Shares	Number of Shares
Weighted average number of ordinary Shares used in calculating basic and diluted earnings per share:	20(a)(b)	68,007,473	21,469,061

a) The weighted average number of ordinary shares used in calculating diluted earnings per share is the same as for basic earnings per share, as the potential ordinary shares (options) do not increase the loss per share as compared to the basic earnings per share, and are therefore not dilutive.

b) The comparative basic earnings per share have been adjusted for the share consolidation (1:72) which occurred on 18 December 2001.

Since the end of the financial year, 8 million Shares have been placed (refer Note 19), 6,314,041 Options issued under the employee share scheme (refer Note 18) and 104 Options have been converted to ordinary Shares.

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
21. REMUNERATION OF DIRECTORS		$	$	$
Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the Consolidated Entity, directly or indirectly, by the entities of which they are Directors or any related party:		285,233		
Income paid or payable, or otherwise made available, in respect of the financial year, to all the Directors of Mount Gibson Iron Limited, directly or indirectly, from the entity or any related party:			285,233	36,397

21. REMUNERATION OF DIRECTORS (CONTINUED)

	Number	Number
The number of Directors of Mount Gibson Iron Limited whose income (including superannuation contributions) falls within the following bands is:		
$10,000 - $19,999	2	3
$20,000 - $29,999	1	-
$30,000 - $39,999	1	-
$50,000 – $59,999	1	-
$140,000 - $149,999	1	-

22. REMUNERATION OF EXECUTIVES

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
Remuneration received or due and receivable by Executive Officers of the Consolidated Entity whose remuneration is $100,000 or more, from entities in the Consolidated Entity or a related party, in connection with the management of the affairs of the entities in the Consolidated Entity whether as an Executive Officer or otherwise:		146,500		
Remuneration received or due and receivable by Executive Officers of the Company whose remuneration is $100,000 or more, from the Company or any related entity, in connection with the management of the affairs of the Company or any of its subsidiaries, whether as an Executive Officer or otherwise:			146,500	-

	Number	Number	Number
The number of Executive Officers of the Consolidated Entity and the Company whose remuneration falls within the following bands:			
$140,000 - $149,999	1	1	-

23. AUDITORS REMUNERATION

	Notes	CONSOLIDATED	MOUNT GIBSON IRON LIMITED	
		2002	2002	2001
		$	$	$
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		17,000	14,000	6,000
Other services in relation to the entity and any other entity in the Consolidated Entity		23,957	23,957	9,500
Other services provided by a related practice of Ernst & Young to the Consolidated Entity		5,000	5,000	-
		45,957	42,957	15,500

24. RELATED PARTY DISCLOSURES

Directors

The Directors of Mount Gibson Iron Limited during the financial year were:

WB Willis (appointed 21 December 2001)
CL Readhead (appointed 21 December 2001)
JD Shervington (resigned 21 December 2001)
BG Johnson (appointed 21 December 2001)
IA Macliver
AE Bale (resigned 21 December 2001)

Wholly-owned group transactions

Loans were made by Mount Gibson Iron Limited to wholly owned subsidiaries. These loans are interest free and have no fixed repayment date.

Director-related entity transactions

Fearis Salter Power Shervington, of which Mr JD Shervington is a partner, provided legal services to the Company. The fees paid, under normal commercial terms and conditions, for the period during which Mr Shervington was a Director were $64,528 (2001: $55,000).

Grange Consulting Group Pty Limited, of which Mr IA Macliver is a Director and Shareholder, provided corporate advisory, secretarial and accounting services to the Company and Consolidated Entity. Grange Consulting Group Pty Limited also provided the registered office premises for the Company until 21 December 2001. The fees paid for these services, under normal commercial terms and conditions, were $37,757 (2001: $25,139) and $50,033 respectively.

Pullinger Readhead Stewart, of which Mr CL Readhead is a partner, provided legal services to the Company and Consolidated Entity. The fees paid, under normal commercial terms and conditions, were $1,483 (2001: $nil) and $4,946 respectively.

Bale Financial Services Pty Limited, of which Mr AE Bale is a Director and Shareholder, provided accounting and advisory services to the Company. The fees paid, under normal commercial terms and conditions were $4,360 (2001: $nil).

Equity instruments of Directors

Interests at balance date

Interests in equity instruments of Mount Gibson Iron Limited held by Directors of the reporting entity and their Director-related entities:

	Ordinary Shares		Options	
	2002 Number	2001 Number *	2002 Number	2001 Number *
WB Willis	210,000	-	3,445,000	-
BG Johnson	-	-	-	-
CL Readhead	177,500	-	1,530,000	-
IA Macliver *	540,833	39,000,000	1,579,653	50,000,000
	868,333	39,000,000	6,554,653	50,000,000

* Number of Shares and Options held at 30 June 2001 are prior to 1 for 72 consolidation.

Movements in Directors' equity holdings

On 31 December 2001 as Shareholders of Mount Gibson Mining Limited, Mr WB Willis and Mr CL Readhead, or their Director-related entities, received the above Shares, and Options, in Mount Gibson Iron Limited in exchange for Shares and Options held in Mount Gibson Mining Limited.

24. RELATED PARTY DISCLOSURES (CONTINUED)

Pursuant to a Shareholders meeting on 18 December 2001 Mount Gibson Iron Limited consolidated its Shares and Options, and issued bonus Options. As a result of this Mr IA Macliver or his director-related entities held 540,833 Shares and 829,653 Options, a further 750,000 Options were approved and issued to a director-related entity at that meeting. Other than the consolidation of Shares and Options as above, there were no changes in the equity holdings of Mr JD Shervington and Mr AE Bale between 30 June 2001 and their resignation.

25. SEGMENT INFORMATION

Segment products and locations

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.

Whittakers Timber Pty Limited sells timber to the building industry in the south-west of Western Australia.

The "other" segment includes revenues and expenses associated with an investment portfolio and investment properties purchased in prior years, and other revenues and expenses associated with general head office activities.

2002	Mining	Timber	Other	Consolidated
	$	$	$	$
Revenues				
Sales to customers outside the Consolidated Entity	-	1,266,744	-	1,266,744
Other revenues from customers outside the Consolidated Entity	-	-	160,632	160,632
Total segment revenue		1,266,744	160,632	1,427,376
Results				
Segment result	-	(76,991)	(12,717)	(89,708)
Unallocated expenses				(310,592)
Net profit				(400,300)
Assets				
Segment assets	16,040,129	623,329	24,131,819	40,795,276
Eliminations				(16,054,923)
Total assets				24,740,353
Liabilities				
Segment liabilities	2,430,518	652,976	3,187,815	6,271,309
Eliminations				(2,299,366)
Total liabilities				3,971,943
Other segment information				
Acquisition of property, plant and equipment, intangible assets and other non-current assets	16,003,840	-	-	16,003,840
Depreciation	13,606	17,153	-	30,759

26. FINANCIAL INSTRUMENTS

a) **Interest rate risk**

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:

Financial Instruments 2002	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	Non-interest bearing	Total carrying amount per statement of financial position	Weighted average effective interest rate
	$	$	$	$	$	%
i) ***Financial assets***						
Cash	3,402,810	-	-	450	3,403,260	4.46
Trade and other receivables	-	-	-	1,071,086	1,071,086	N/A
Listed shares	-	-	-	52,250	52,250	N/A
Non-current receivables	-	-	-	159,131	159,131	N/A
Unlisted shares	-	-	-	7,223,858	7,223,858	N/A
Total financial assets	3,402,810	-	-	8,506,775	11,909,585	
ii) ***Financial liabilities***						
Trade and other creditors	-	-	-	877,630	877,630	N/A
Finance lease liability	-	8,544	43,558	-	52,102	7.85
Borrowings	-	4,404	32,988	-	37,392	7.20
Convertible Notes (to be issued)	-	-	3,000,000	-	3,000,000	10.0
Total financial liabilities	-	12,948	3,076,546	877,630	3,967,124	

b) **Net fair values**

All financial assets and liabilities have been recognised at their net fair values at balance date.

c) **Credit risk exposure**

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

Concentration of credit risk

The concentration of credit risk lies principally in trade receivables. As at balance date 95% of trade receivables were concentrated in the timber industry.

27. CONTROLLED ENTITIES

As at balance date the consolidated entity included Mount Gibson Iron Limited and its wholly owned subsidiaries:

i) Mount Gibson Mining Limited which was purchased on 31 December 2001 by the issue of Mount Gibson Iron Limited Shares and Options which were given in exchange for Mount Gibson Mining Limited Shares and Options; and

ii) Whittakers Timber Pty Limited in to which all assets and liabilities relating to the timber business were transferred as at 1 January 2002.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a. the financial statements and notes 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 Company's and Consolidated Entity's financial position as at 30 June 2002 and of their performance of the year ended on that date; and

   ii) complying with Accounting Standards and 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.

On behalf of the Board

WB Willis
Chairman

Perth, 27 September 2002

ERNST & YOUNG

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INDEPENDENT AUDIT REPORT

To the members of Mount Gibson Iron Limited

Scope

We have audited the financial report of Mount Gibson Iron Limited for the financial year ended 30 June 2002, as set out on pages 13 to 34, including the Directors' Declaration. The financial report includes the financial statements of Mount Gibson Iron Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Mount Gibson Iron Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters disclosed in Note 1, there is significant uncertainty whether Mount Gibson Iron Limited and the consolidated entity will be able to continue as going concerns and therefore realise assets and extinguish liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the company and consolidated entity not be able to continue as going concerns.

Ernst + Young

Ernst & Young

V. Tidy

V W Tidy
Partner
Perth
Date: 27 September 2002

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 25 September 2002.

(a) Distribution of equity securities

The number of Shareholders, by size of holding, in each class of Share are:

	Ordinary Shares	
	Number of holders	Number of Shares
1 - 1,000	95	27,256
1,001 - 5,000	202	682,406
5,001 - 10,000	272	2,345,771
10,001 - 100,000	743	29,532,865
100,001 and over	134	93,792,440
	1,446	126,281,008
The number of Shareholders holding less than a marketable parcel of Shares are:	151	142,554

(b) Twenty largest Shareholders

The names of the twenty largest holders of quoted Shares are:

	Listed Ordinary Shares	
	Number of Shares	Percentage of Ordinary Shares
Resource Equities Limited	30,607,946	24.24
Link Traders (Aust) Pty Limited	6,650,122	5.27
Leighton Contractors Pty Limited	4,808,180	3.81
Dominant Holdings AG	4,000,000	3.17
Kingstream Steel Limited (Subject to Deed of Company Arrangement)	4,000,000	3.17
National Nominees Limited	2,151,389	1.70
Port of Portland Holdings Pty Limited	1,875,000	1.48
Strategysearch Consulting Services Pty Limited	1,350,000	1.07
Aileendonan Investments Pty Limited	1,310,000	1.04
Commonwealth Custodial Services Limited	1,250,000	0.99
Energy World Corporation Limited	1,192,500	0.94
Epic Energy Pty Limited	937,500	0.74
Desmond George Samuel Anderson	900,000	0.71
Drill Investments Pty Limited	872,874	0.69
Ausmelt Limited	833,333	0.66
Perpetual Trustee Company Limited	820,045	0.65
Vietnam Industrial Investments Limited	800,000	0.63
Tropicalsun Foundation Inc	699,999	0.55
Kingwest Investments Pty Limited	619,478	0.49
Alnbie Pty Limited	600,000	0.48
	66,278,366	52.48

(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
Resource Equities Limited	30,607,946

(d) Voting rights

All ordinary Shares carry one vote per Share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage Held
Mt Gibson	EL 59/1013	50
Mt Gibson	EL 59/1016	50
Mt Gibson	G 59/30 (a)	50
Mt Gibson	M 59/338	50
Mt Gibson	M 59/339	50
Mt Gibson	M 59/454	50
Mt Gibson	M 59/455	50
Mt Gibson	M 59/526	50
Mt Gibson	M 59/550 (a)	50
Tallering Peak	M 70/896	(b)
Tallering Peak	M 70/1062	(b)
Tallering Peak	M 70/1063	(b)
Tallering Peak	M 70/1064	(b)
Tallering Peak	G 70/192	(b)
Tallering Peak	G 70/193	(b)
Tallering Peak	L 70/60	(b)
Tallering Peak	E 70/1192	(b)

a) Applications pending.

b) Pursuant to a Mining Rights and Sale Agreement dated 10 July 2002 between Kingstream Steel Limited (Subject to Deed of Company Arrangement) ("KSL"), the Administrators of KSL, Mount Gibson Mining Limited ("MGM") and Mount Gibson Iron Limited, MGM purchased the Tallering Peak mining tenements from KSL, and was granted Mining Rights over the tenements until such time as the tenements are transferred into its name.

Transfer of the tenements will occur upon approval of the Minister for Mines, or a duly authorised delegate from the Department of Mineral and Petroleum Resources and MGM being satisfied that it will gain approval for the proposed mining operation under Section 18 of the Aboriginal Heritage Act, if required.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Mount Gibson Iron Limited is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Mount Gibson Iron Limited on behalf of the Shareholders by whom they are elected and to whom they are accountable.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:
- the Board shall comprise at least four Directors;
- the Board should comprise Directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least bi-monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position	Name	Position
William Willis	Chairman	Ian Macliver	Non-Executive Director
Brian Johnson	Managing Director	Craig Readhead	Non-Executive Director

Audit Committee

The Board has established an audit committee, which operates as approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Consolidated Entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive or part-time executive Directors.
The members of the audit committee during the year were:
- Bill Willis
- Ian Macliver
- Craig Readhead

The audit committee is also responsible for:
- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Board Responsibilities

As the Board acts on behalf of and is accountable to the Shareholders, the Board seeks to identify the expectations of the Shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Consolidated Entity is delegated by the Board to the Chief Executive Officer and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the Executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committee referred to above, these mechanisms include the following:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of operating plans and budgets by management and Board monitoring of progress against budget.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson.

The Board of Directors aims to ensure that the Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the Shareholders through:

- the annual report which is distributed to all Shareholders; and
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

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PRODUCTION