



Mount Gibson Iron Limited
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Pages = 101 (including this page)

VIA: WWW.ASX.ONLINE.COM

17 December 2008

The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Despatch of prospectus completed

Mount Gibson Iron Limited ("**Mount Gibson**") advises that it has completed despatch of its prospectus in respect of the renounceable rights issue to shareholders. A copy of the prospectus as despatched to shareholders is attached.

As announced on 3 December 2008, rights trading ends on Monday 29 December 2008 and the closing date for receipt of acceptances is 5:00pm (WDT) on 6 January 2009 (subject to extension by Mount Gibson with the agreement of the Underwriters).

Yours sincerely

MOUNT GIBSON IRON LIMITED

David Berg
Company Secretary

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Mount Gibson Iron Limited
ABN 87 008 670 817

Prospectus

Prospectus for a fully underwritten renounceable Rights Issue of 1 New Share for every 5 Existing Shares at an Issue Price of A\$0.60 per New Share to raise approximately A\$96.5 million

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Contents

Table of contents

Important information	5
Chairman's letter	8
1 Key investment highlights	10
1.1 Context of the Rights Issue	10
1.2 Purpose and implications of the Rights Issue	10
1.3 Action Required from Shareholders	10
2 Key risks	11
3 Key statistics	14
4 Key dates	14
5 Questions and answers	15
5.1 The Rights Issue	15
5.2 The Offtake Agreements and the Placement	17
5.3 Implications of the Transaction for control of Mount Gibson and the relationship between APAC and Shougang Concord	18
5.4 Necessary approvals	21
5.5 Action	23
5.6 Risks associated with the Rights Issue	24
5.7 Further information	25
6 Key investment details	26
6.1 The Rights Issue	26
6.2 Context of the Rights Issue	27
6.3 Purpose of the Rights Issue and use of funds	29
6.4 Offtake Agreements	31
6.5 Underwriting	31
6.6 Placement	32
6.7 Need for Shareholder approval of the Underwriting and the Placement	32
7 Rationale for the Rights Issue	35
8 Further details of the Rights Issue	38
8.1 Rights trading	38
8.2 Rounding and share splitting	38
8.3 Ranking of New Shares	38
8.4 ASX quotation and trading of New Shares	38
8.5 Treatment of Foreign Shareholders	38
8.6 Withdrawal of the Rights Issue	41
8.7 CHES	41
9 Action required	42
9.1 Choices available	42
9.2 If you wish to take up all or part of your Rights	42
9.3 Allow all or part of your Rights to lapse	42
9.4 Selling all of your Rights	42
9.5 Risks associated with Rights trading	43

9.6	Taking up part of your Rights and selling the balance on ASX	43
9.7	Transfer	43
9.8	Payment and return of Entitlement and Acceptance Form	43
9.9	Enquiries	45
10	Overview of Mount Gibson	46
10.1	Overview of Mount Gibson	46
10.2	Tallering Peak	47
10.3	Koolan Island	48
10.4	Extension Hill Hematite	49
10.5	Existing offtake agreements	50
10.6	Forecast Sales Profile	50
10.7	Ore Reserves and Mineral Resources	51
10.8	Corporate structure and ownership	52
10.9	Financial position	53
10.10	Dividend history	61
10.11	Directors	62
11	Impact on Mount Gibson’s capital structure and level of control	63
11.1	Impact of the Rights Issue and Underwriting	63
11.2	Impact of the Placement	63
11.3	Combined impact of the Rights Issue and the Placement	64
12	Corporate governance	66
12.1	Director protocols	66
12.2	Corporate governance and Board independence from completion of the Transaction	66
13	Risks	67
13.1	General risks in subscribing for New Shares	67
13.2	General risk factors that may affect Mount Gibson	68
13.3	Transaction-specific risks	71
14	Additional information	76
14.1	Continuous disclosure	76
14.2	Rights and liabilities attaching to New Shares	77
14.3	ASX waivers	78
14.4	Underwriting Agreements	78
14.5	Privacy	83
14.6	Consents	85
14.7	Directors’, experts’ and advisers’ consents and interests	86
15	Glossary	88
	Authorisation	98
	Corporate directory	99

Important information

If you are an Eligible Shareholder, this document is important and requires your immediate attention. It should be read in its entirety. Please read carefully the instructions on your Entitlement and Acceptance Form regarding the acceptance of your Rights. If you are in doubt as to the course you should follow, you should contact your stockbroker, accountant or other professional advisor.

Regulatory information

This Prospectus is dated 3 December 2008 and was lodged with ASIC on that day.

Mount Gibson will apply to ASX for quotation of the New Shares and the Rights within 7 days of the date of this Prospectus. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus expires on the date 13 months after the date of this Prospectus (**Expiry Date**). No securities will be allotted, issued or sold on the basis of this Prospectus after the Expiry Date.

This is a Prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) of Mount Gibson and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

In preparing this Prospectus, regard has been had to the fact that Mount Gibson is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult. Investors should therefore have regard to the other publicly available information in relation to Mount Gibson before deciding whether or not to invest.

The information contained in this Prospectus (except the APAC and Shougang Concord information referred to below) including information as to the views and recommendations of the Mount Gibson Independent Directors has been prepared by Mount Gibson and is the responsibility of Mount Gibson. None of APAC, Shougang Concord, their associates or their advisers assumes any responsibility for the accuracy or completeness of that information. Material attributed to APAC and Shougang Concord regarding the relationship between them in section 6.7 and equivalent information elsewhere in this Prospectus has

been provided by APAC and Shougang Concord and is the responsibility of APAC and Shougang Concord respectively. None of Mount Gibson, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

Disclaimer

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. It is important that you read this Prospectus carefully and in full, as well as the instructions on the accompanying Entitlement and Acceptance Form, before deciding whether or not to invest.

In particular, you should consider the risk factors described in section 13 of this Prospectus that could affect the financial and operating performance of Mount Gibson before deciding what course you should follow. You should carefully consider these factors in light of your personal circumstances, including financial and taxation issues, and consult your financial adviser or other professional adviser before deciding whether to invest.

Except as required by law, and only then to the extent so required, neither Mount Gibson nor any other person warrants the future performance of Mount Gibson, or any return on any investment made pursuant to this Prospectus. An investment in the New Shares offered by this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with the Rights Issue described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Mount Gibson in connection with the Rights Issue.

Forward looking statements

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements.

Investment decisions

If you decide not to exercise all or part of your Rights and take up New Shares, you should consider whether to sell (renounce) your Rights. It is important that you either exercise or sell your Rights in accordance with the instructions in section 9 of this Prospectus and on the back of the accompanying Entitlement and Acceptance Form. Individual applicants are responsible for determining their allocations of New Shares before trading in them. You trade in New Shares before receiving your allocation at your own risk.

Prospectus availability

Shareholders with registered addresses in Australia, New Zealand and Hong Kong can obtain a copy of this Prospectus during the period of the Rights Issue on Mount Gibson's website at www.mtgibsoniron.com.au or by calling the Mount Gibson Investor Information Line on 1300 794 682 (toll free within Australia) or on +61 2 8280 7751 (from outside Australia) at any time from 8.30am (EDST) to 5.30pm (WDT) Monday to Friday during the Offer Period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on Mount Gibson's website will not include a personalised Entitlement and Acceptance Form. You will only be entitled to accept the Rights Issue by completing your personalised Entitlement and Acceptance Form, which accompanies this Prospectus, or by making a payment using BPAY® (refer to section 9.8 of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Entitlement and Acceptance Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

Foreign jurisdictions

This Prospectus has been prepared to comply with the requirements of the laws of Australia.

The distribution of this Prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on those restrictions. Any non-compliance with the restrictions may contravene applicable securities laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the New Shares or otherwise permit an offering of New Shares in any jurisdiction outside of Australia. See section 8.5 of this Prospectus for further

details in relation to persons in other jurisdictions.

The New Shares have not been, nor will they be, registered under the United States Securities Act of 1933 or the securities laws of any other state in the United States and may not be offered or sold to, or for the account or benefit of, US Persons.

Glossary

Terms and abbreviations used in this Prospectus are explained in the Glossary at section 15 of this Prospectus.

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Chairman's letter



Mount Gibson Iron Limited

ABN 87 008 670 817



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Dear Shareholder

Rights Issue

On behalf of the Mount Gibson Board, I am pleased to invite you to participate in a pro rata renounceable rights offer of New Shares in Mount Gibson.

Under the Rights Issue, Eligible Shareholders will have the opportunity to subscribe for 1 New Share for every 5 Existing Shares held on the Record Date at an Issue Price of A\$0.60 per New Share.

The Rights Issue is part of a transaction entered into by Mount Gibson with each of APAC and Shougang Concord, which comprises:

- proposed offtake agreements between Mount Gibson and APAC and Mount Gibson and Shougang Concord (**Offtake Agreements**);
- a Rights Issue to raise approximately A\$96.5 million (before expenses) (**Rights Issue**), fully underwritten by way of separate underwritings by APAC and Shougang Concord (**Underwriting**); and
- a proposed placement by Mount Gibson of 110 million New Shares to Shougang Concord at an issue price of A\$0.60 per New Share to raise A\$66 million (before expenses) (**Placement**),

(the **Transaction**).

In determining the Issue Price of the Rights Issue, the Mount Gibson Independent Directors had regard to the fact that it is normal market practice for a rights issue to be priced at a discount to the current market price of the underlying security, but concluded that setting the Issue Price at less than A\$0.60 per Share was not in the interests of Shareholders. Mount Gibson commissioned KPMG Corporate Finance as Independent Expert in connection with the Shareholder approvals for the Offtake Agreements, Underwriting and Placement. The Independent Expert has given a valuation range for the Shares upon completion of the Transaction of between A\$1.23 per Share to A\$1.32 per Share. The valuation was prepared by KPMG for the purpose of the Explanatory Memorandum and not for this Prospectus.

The Offtake Agreements will provide Mount Gibson with secure offtake arrangements with counterparties which, notwithstanding the current economic climate and concerns over China's future economic growth profile, have stable demand for iron ore. In addition, the Rights Issue and the Placement will place Mount Gibson in a more stable financial position at a time when access to capital is restricted. As a result of the Transaction, Mount Gibson will be better placed to proceed with planned development activities at Koolan Island and Extension Hill.

The Offtake Agreements, the Underwriting and the Placement are each subject, amongst other things, to the approval of Shareholders, with those approvals being interconditional. You will have received an Explanatory Memorandum, Notice of Meeting and Independent Expert's Report in respect of the relevant shareholder resolutions. However, the Rights Issue itself is not subject to the approval of Shareholders and will proceed regardless of whether or not Shareholders approve the Offtake Agreements, the Underwriting and the Placement.

The Meeting of Shareholders will be held on Tuesday, 30 December 2008. Shareholders should carefully assess whether to wait until the Meeting has been held and all other conditions to the implementation of the Offtake Agreements, the Underwriting and the Placement are satisfied before deciding whether or not to take up their Rights.

I encourage you to read the details of the Rights Issue as outlined in this Prospectus. If you require any assistance in completing or lodging your Entitlement and Acceptance Form, or making a BPAY® payment, please feel free to call the Mount Gibson Investor Information Line on 1300 794 682 (toll free) from within Australia or +61 2 8280 7751 from outside of Australia during office hours. On behalf of the Mount Gibson Board, I commend the Rights Issue to you and look forward to your continuing investment in Mount Gibson.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Hamilton', with a long horizontal flourish extending to the right.

Neil Hamilton
Chairman

1 Key investment highlights

1.1 Context of the Rights Issue

- Chinese steel production materially decreased in September and October 2008, leading to an oversupply of iron ore.
- As announced by Mount Gibson on 3 November 2008, three of Mount Gibson's customers have defaulted on their legally binding offtake agreements with Mount Gibson. A further customer has defaulted on its binding obligations by failing to collect one shipment.
- Only two of ten planned shipments of iron ore produced by Mount Gibson were made during October 2008. Other iron ore producers are cutting production in response to reduced demand.
- Without new offtake agreements, material sales revenue shortfalls will continue for some time and Mount Gibson will face financial distress. Mount Gibson has secured new medium and long term offtake agreements with each of APAC and Shougang Concord which are subject to Shareholder approval at the Meeting scheduled for 30 December 2008.
- Due to lower realised prices and sales volumes, particularly in the short and medium term, Mount Gibson requires additional funding to continue development at Koolan Island and Extension Hill. Mount Gibson proposes raising the necessary additional funding through the Rights Issue, the Underwriting and the Placement.

1.2 Purpose and implications of the Rights Issue

The Rights Issue, together with the Underwriting and the Placement, will:

- provide Mount Gibson with sufficient funds to recommence development activities at Koolan Island and Extension Hill;
- if Mount Gibson's lenders do not roll forward Mount Gibson's excess obligations under the FX Facilities, Mount Gibson considers that the funds raised will provide sufficient cash to cover any payments required to be made by Mount Gibson in relation to the FX Facilities (see section 6.3); and
- provide a working capital buffer from reduced revenues resulting from the recent defaults by offtake customers.

The Rights Issue is also part of the broader Transaction. The Transaction will have a number of implications for Mount Gibson including that APAC and Shougang Concord will increase their control position in Mount Gibson. See section 11 for further details.

1.3 Action Required from Shareholders

- Decide on whether you wish to take up your Rights, trade your Rights on the ASX or otherwise, or do nothing.
- If you wish to trade your Rights, contact your broker.
- If you wish to take up your Rights, complete the Entitlement and Acceptance Form at the back of this Prospectus or instruct your broker to accept on your behalf.

2 Key risks

Impact on Mount Gibson's financial position if the conditions to implementation of the Offtake Agreements, the Underwriting and the Placement are not satisfied

The implementation of each of the Offtake Agreements, the Underwriting and the Placement is subject to the approval of Shareholders (with these approvals being interconditional) at the Meeting and certain other conditions such as, in the case of the Underwriting and the Placement, FIRB approval (with the Shougang Concord Offtake Agreements also being conditional on Shougang Concord receiving FIRB approval in respect of the Placement and the Shougang Concord Underwriting Commitment) and, in the case of the APAC Underwriting Agreement, APAC shareholder approval. However, the Rights Issue is not itself subject to the approval of Shareholders and will proceed regardless of whether or not Shareholders approve the Offtake Agreements, the Underwriting and the Placement.

Refer to Section 13.3(a)

Accordingly, if Shareholders take up their Rights prior to the satisfaction or waiver of each of the conditions, there is a risk that they will have increased their investment in Mount Gibson and the Transaction will not be fully implemented, in which case Mount Gibson will be in a less stable financial position and may be unable to continue as a going concern.

Change of control risk and the market's perception of concentrated ownership

If both the Placement and the Rights Issue proceed, and APAC and Shougang Concord are considered associates, APAC and Shougang Concord will together hold between 28.55% (18.32% by APAC and 10.23% by Shougang Concord) and 40.46% (26.03% by APAC and 14.43% by Shougang Concord) of Mount Gibson, depending upon the take up of Rights under the Rights Issue.

Refer to Sections 13.3(c) and 13.3(j) in respect of these risks

Refer to Section 12 in respect of the agreed governance arrangements

Mount Gibson is of the opinion that APAC and Shougang Concord may be associates (a view which Mount Gibson acknowledges that APAC and Shougang Concord do not share). Mount Gibson considers that the Transaction will have significant effects on control of Mount Gibson in favour of APAC and Shougang Concord and that, despite governance arrangements agreed between Mount Gibson and APAC and Mount Gibson and Shougang Concord, there is a risk that either or both of APAC and Shougang Concord will pursue interests that will differ to those of other Shareholders. In addition, there is a risk that the market will discount the price of the Shares because of a perceived change of control of Mount Gibson occurring as a result of the Transaction.

Inability to meet debt obligations	Mount Gibson has external debt obligations and there is a risk that, if the Offtake Agreements, the Underwriting and the Placement are not approved by Shareholders, Mount Gibson may be unable to meet its obligations to repay its debt facilities and otherwise comply with the terms and conditions of those facilities.	Refer to Section 13.2(b)
Fluctuations in the iron ore market	Cash flows and revenues to be earned under the long term Offtake Agreements are exposed to fluctuations in the Hamersley Benchmark Iron Ore Prices, which are beyond the control of Mount Gibson.	Refer to Section 13.3(e)
Differentials between the price of iron ore sold under the Offtake Agreements and otherwise in the iron ore market	Iron ore sold under the medium term Offtake Agreement will be purchased at the FOB price of US\$56 per wet metric tonne and iron ore sold under the long term Offtake Agreements will be purchased at a 10% discount to Hamersley Benchmark Iron Ore Prices (subject to penalty specifications and price adjustments). There is a risk that Mount Gibson may be forgoing significant amounts of revenues and cash flows that could otherwise be earned if Mount Gibson sold iron ore at prevailing benchmark or spot prices.	Refer to Section 13.3(f)
Counterparty risk	The financial performance of Mount Gibson is exposed to any failure by counterparties to offtake agreements that Mount Gibson has entered into to comply with the terms of those agreements (including APAC and Shougang Concord), which is beyond the control of Mount Gibson.	Refer to Section 13.2(a)
Resolving defaults under existing offtake agreements	Three of Mount Gibson's customers have defaulted on legally binding offtake agreements and a further customer failed to collect one scheduled shipment. Resolution of these matters could impose a significant management burden and financial cost on Mount Gibson and there is no assurance that favourable outcomes will be achieved.	Refer to Section 13.2(c)

Market reaction to concentrated offtake arrangements

Under the Offtake Agreements it is currently expected that, 63% of combined iron ore production from Koolan Island, Talling Peak and Extension Hill will be sold to APAC and Shougang Concord. The market may perceive this concentrated customer base, particularly in light of recent customer defaults, to be a negative for Mount Gibson and discount the price of the Shares accordingly.

Refer to Section 13.3(h)

Risks associated with the acquisition of Shareholders' Rights during the Rights Trading Period

Each of the conditions precedent to the implementation of the Offtake Agreements, the Underwriting and the Placement (in particular the required Shareholder approvals) will not have been satisfied or waived by the close of the Rights Trading Period.

Sections 9.4 and 13.3(b)

Accordingly, dealings in Rights before the close of the Rights Trading Period will be conducted in the absence of any certainty as to whether or not Mount Gibson will realise any of the benefits that Mount Gibson believes will result from the Transaction. If the Transaction is not implemented in its entirety, Mount Gibson will be in a less stable financial position and there is a risk that Mount Gibson may be unable to continue as a going concern. At the close of the Rights Trading Period, investors holding Rights will be unable to further trade in those Rights and will only be able to take up all or part of their Rights or allow the Rights to lapse.

3 Key statistics

Issue Price per New Share under the Rights Issue	A\$0.60
Eligible Shareholders' Rights	1 New Share for every 5 Existing Shares held on the Record Date
Approximate maximum Rights Issue Proceeds	A\$96.5 million (before expenses)
Approximate number of New Shares to be issued in respect of the maximum Rights Issue Proceeds	160,871,164
Approximate maximum number of Shares on issue on completion of the Rights Issue	965,226,985
Number of New Shares to be issued under the Placement	110,000,000
Approximate maximum number of Shares on issue on completion of the Rights Issue and Placement	1,075,226,985

4 Key dates

Prospectus lodged with ASX and ASIC	Wednesday, 3 December 2008
Shares quoted on an 'ex' basis and rights trading commences	Friday, 5 December 2008
Record Date for Rights Issue	5:00pm (WDT), Thursday, 11 December 2008
Prospectus and Entitlement and Acceptance Forms dispatched to Eligible Shareholders	Wednesday, 17 December 2008
Rights trading ends	Monday, 29 December 2008
Mount Gibson Shareholder Meeting	Tuesday, 30 December 2008
Closing Date for acceptance and payment	Tuesday, 6 January 2009 (may be extended – see note below)
Issue and allotment of New Shares and dispatch of holding statements	Monday, 12 January 2009
Commencement of trading of New Shares	Tuesday, 13 January 2009

All dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASX and ASIC) are indicative only. The Directors reserve the right to extend the Closing Date, subject to the ASX Listing Rules, without further notice and with the consent of the Underwriters, such as to allow necessary FIRB approvals to be obtained. A change to the Closing Date may cause other key dates to change.

5 Questions and answers

5.1 The Rights Issue

Question	Answer	Refer to
What is the Rights Issue?	The Rights Issue is a pro rata offer made to Eligible Shareholders to subscribe for New Shares.	Section 6.1
What is my entitlement to Rights?	Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 5 Existing Shares held on the Record Date, subject to the terms of this Prospectus.	Entitlement and Acceptance Form
What is the Issue Price?	The Issue Price is A\$0.60 per New Share.	N/A
Can I trade my Rights and where do I find information about Rights trading?	Yes, you can trade your Rights. For information on how to trade your Rights, refer to section 9.6.	Sections 5.5 and 9.6
How much will be raised from the Rights Issue?	The Rights Issue will raise approximately A\$96.5 million (before expenses).	Section 6.1
What is the purpose of the Rights Issue and how will the funds raised be used?	<p>The Rights Issue is not subject to Shareholder approval, has no minimum subscription, and will proceed regardless of the outcome of the Meeting. However, there is no certainty that the Offtake Agreements, the Underwriting and the Placement will be implemented because they are subject to Shareholder approval and other conditions.</p> <p>If the Rights Issue, the Underwriting, the Placement and the Offtake Agreements all proceed, the proceeds of the underwritten Rights Issue (along with the proceeds of the Placement) will be used to:</p> <ul style="list-style-type: none">• recommence development at Koolan Island and Extension Hill in July 2009;• cash settle excess foreign exchange contracts in the event that the providers of the FX Facilities do not roll them forward as requested by Mount Gibson; and	Section 6.3

Question	Answer	Refer to
	<ul style="list-style-type: none"> • provide a working capital buffer to the reduced revenue resulting from the recent defaults by offtake customers. <p>This will leave Mount Gibson better placed to deal with further volatility in the iron ore and financial markets and allow Mount Gibson to avoid further drawing down existing debt facilities so as to minimise its leverage level.</p> <p>If the Offtake Agreements, the Underwriting and the Placement are not approved, Mount Gibson will apply whatever proceeds are raised through the Rights Issue for working capital and will be required to explore further potential offtake arrangements and explore alternative funding arrangements. In this case it is most likely that Mount Gibson will be required to refinance its debt, bonds and FX Facilities which may be difficult in the current environment and, as a consequence, Mount Gibson may be unable to continue as a going concern.</p> <p>Accordingly, Shareholders should carefully assess whether to wait until the Meeting has been held and all other conditions to the implementation of the Offtake Agreements, the Underwriting and the Placement are satisfied before deciding to take up their Rights.</p>	
Is the Rights Issue underwritten?	<p>Yes. In addition to APAC agreeing to take up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement, APAC and Shougang Concord have separately underwritten the remaining New Shares that will be offered pursuant to the Rights Issue. The Underwriting Agreements are subject to various conditions, including Shareholder and FIRB approval.</p>	<p>Sections 6.4, 6.7 and 14.4</p>
Why is the Rights Issue priced at A\$0.60 when the recent prevailing market price has been lower?	<p>In determining the Issue Price of A\$0.60 per Share the Mount Gibson Independent Directors were aware that it is normal market practice for a rights issue to be priced at a discount to the current market price of the underlying security. However, in the circumstances the Mount Gibson Independent Directors considered the value of the Company is above its current Share price, due to a number of factors including the market discounting the Share price for</p>	<p>Section 7(d)</p>

Question	Answer	Refer to
	the uncertainty associated with whether the Transaction will proceed. Accordingly, an issue price of less than A\$0.60 was not considered to be in the interests of Shareholders.	
Business overview	For more information on Mount Gibson.	Section 10
Financial information	For more information on the financial information of Mount Gibson and the impact of the Rights Issue.	Sections 10 and 11

5.2 The Offtake Agreements and the Placement

Question	Answer	Refer to
What are the Offtake Agreements and the Placement?	<p>The Offtake Agreements are a series of iron ore offtake agreements between Mount Gibson and APAC and separately, Mount Gibson and Shougang Concord.</p> <p>The Placement is a proposed placement by Mount Gibson of 110,000,000 New Shares to Shougang Concord at an Issue Price of A\$0.60 per New Share to raise A\$66 million (before expenses).</p>	Sections 6.4 and 6.6
When will the Offtake Agreements and the Placement be implemented?	<p>The Offtake Agreements, the Underwriting and Placement are subject to a number of conditions. These include approval by Shareholders at the Meeting, approval by APAC Shareholders (in respect of the aggregate subscription of Shares pursuant to the APAC Underwriting Commitment and as a result of taking up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement) and, in the case of the Underwriting and the Placement, FIRB approval (with the Shougang Concord Offtake Agreements also being conditional on Shougang Concord receiving FIRB approval in respect of the Placement and the Shougang Concord Underwriting Commitment).</p> <p>Given the nature of the conditions, it is not possible to give an assurance that completion of the Offtake Agreements, the Underwriting and the Placement will occur and, if so, the dates of completion.</p>	Sections 6.4 and 6.6

Question	Answer	Refer to
	<p>However, subject to the above, the Directors anticipate that:</p> <ul style="list-style-type: none"> • the Placement will complete on or about Friday, 2 January 2009; • Mount Gibson will have access to the subscription monies in respect of the Rights Issue on or about 12 January 2009; • the medium term Offtake Agreement will commence on 3 January 2009; and • the long term Offtake Agreements will commence on 1 July 2009. 	

5.3 Implications of the Transaction for control of Mount Gibson and the relationship between APAC and Shougang Concord

Question	Answer	Refer to
<p>Implications of the Transaction for control of Mount Gibson</p>	<p>The Transaction will result in a change in the governance and voting dynamic of Mount Gibson. Mount Gibson considers that the Transaction in the context of the relationship between APAC and Shougang Concord (discussed immediately below) will have significant effects on control of Mount Gibson in favour of APAC and Shougang Concord, and it is likely that on completion of the Transaction, strategic decisions by the management of Mount Gibson will, as a practical matter, require the support of each of APAC and Shougang Concord.</p>	Section 13.3(c)
<p>What is the relationship between APAC and Shougang Concord?</p>	<p>Shougang Holding (Hong Kong) Limited (SHHKL) is one of APAC's substantial shareholders, owning approximately 18.95% of the shares in APAC as at 24 November 2008. SHHKL also owns approximately 41.75% of Shougang Concord as at 24 November 2008. SHHKL is a wholly owned subsidiary of the state owned Shougang Corporation, based in the People's Republic of China.</p> <p>Due to these common shareholdings, the fact that there is one common director between APAC and Shougang Concord (Mr Cao Zhong who is chairman of APAC, managing director of Shougang Concord and vice chairman and general manager of</p>	Section 6.7

Question	Answer	Refer to
	<p>SHHKL), and the Takeovers Panel Decision, Mount Gibson considers that APAC and Shougang Concord may be associates for the purposes of the Corporations Act (although Mount Gibson is aware that APAC and Shougang Concord do not consider that such an association exists).</p> <p>If APAC and Shougang Concord were considered associates for the purposes of the Corporations Act, APAC and Shougang Concord are each taken to have voting power in Mount Gibson that includes shares held by them, and held by the other entity.</p> <p>Accordingly, the acquisition of Shares by APAC under the Underwriting and by Shougang Concord under the Underwriting and the Placement may require the approval of Shareholders who are not associated with either party. Given the importance of the Transaction and the possibility that Shougang Concord and APAC are associated, Mount Gibson is of the view that it is prudent to obtain Shareholder approval on this basis and this is being sought at the Meeting.</p>	
<p>What will be APAC's holding after the Rights Issue?</p>	<p>APAC has committed to take up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement. This will maintain the APAC Group's shareholding in Mount Gibson at approximately 20.41% (assuming that all other Shareholders take up their Rights and not including the Placement).</p> <p>If all Shareholders (or third parties who have purchased Rights) do not take up their Rights under the Rights Issue, there will be a Shortfall. Under the APAC Underwriting Agreement, APAC has agreed to subscribe for up to the first 82,900,000 Shortfall Shares, subject to FIRB approval, APAC shareholder approval and Shareholder approval, and other conditions. This will increase APAC's shareholding in Mount Gibson to approximately 26.03% (post the Rights Issue and the Placement, assuming that the Placement and the Underwriting are approved at the Meeting and the other conditions are satisfied).</p>	<p>Sections 11.1 and 11.2</p>

What will be Shougang Concord's holding after the Rights Issue and the Placement?	<p>Under the Shougang Concord Underwriting Agreement, if there are more than 82,900,000 Shortfall Shares, Shougang Concord has agreed to subscribe for the balance of the Shortfall Shares, subject to a maximum of 50,000,000 Shares, FIRB and Shareholder approval, and other conditions.</p> <p>Under the Subscription Agreement, Shougang Concord has agreed to subscribe for and Mount Gibson has agreed to issue 110,000,000 New Shares, or approximately 10.23% (as diluted by the Placement) of Mount Gibson, subject to conditions including FIRB and Shareholder approval.</p> <p>If no other Shareholder takes up their Rights and no third parties purchase any Rights, the aggregate effect of Shougang Concord subscribing for its Underwriting Commitment and the New Shares pursuant to the Placement is that Shougang Concord will have a shareholding in Mount Gibson of approximately 14.43%.</p>	Sections 11.1 and 11.2
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What will be APAC's and Shougang Concord's voting power in Mount Gibson after the Rights Issue and the Placement?	<p>If APAC and Shougang Concord were considered to be associates for the purposes of the Corporations Act, APAC and Shougang Concord would each be taken to have voting power in Mount Gibson that includes shares held by them, and held by the other entity and, upon:</p> <ul style="list-style-type: none"> • APAC taking up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement under the Rights Issue; • APAC and Shougang Concord each subscribing for their full Underwriting Commitments (which assumes no other Shareholders take up their Rights and no third party buys those Rights); and • Shougang Concord being issued 110,000,000 New Shares pursuant to the Placement, <p>each of APAC and Shougang Concord will have voting power in Mount Gibson of 40.46% (the sum of their separate holdings of 26.03% and 14.43% respectively). Should the Rights Issue be fully subscribed by existing Shareholders and if APAC and Shougang Concord are considered associates, then each of APAC and Shougang Concord will have voting power in Mount Gibson of 28.55% (the sum of their separate holdings of 18.32% and 10.23% respectively).</p>	Sections 6.5, 6.6 and 11.3
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5.4 Necessary approvals

Question	Answer	Refer to
What are the necessary approvals for the Transaction?	<p>The Rights Issue is not subject to any Shareholder approval and will proceed whether or not Shareholders approve the Offtake Agreements, the Underwriting and the Placement. However, if Shareholders take up their Rights prior to the approval of the Offtake Agreements, the Underwriting, the Placement and the satisfaction or waiver of each of the other conditions to implementation, there is a risk that Shareholders will have increased their investment in Mount Gibson and the Transaction will not be implemented, in which case Mount Gibson will be in a less stable financial position and may be unable to continue as a going concern.</p> <p>The Offtake Agreements are subject to Shareholder approval, amongst other conditions.</p> <p>The Underwriting is subject to Shareholder and FIRB approval (and the APAC Underwriting Agreement is also subject to APAC shareholder approval), amongst other conditions.</p> <p>The Placement is subject to Shareholder and FIRB approval, amongst other conditions.</p> <p>Given that the Rights Issue closes after the Meeting on Tuesday, 30 December 2008 at which the Resolutions will be considered, Shareholders should pay careful attention to whether or not the Resolutions are approved by Shareholders at the Meeting.</p> <p>The results of the Meeting will be lodged on ASX during the afternoon of Tuesday, 30 December 2008.</p>	Section 6.7

Question	Answer	Refer to
<p>What will happen if the necessary approvals are not granted and, as a result, the Transaction does not proceed?</p>	<p>If the Offtake Agreements, the Underwriting and the Placement are not approved, Mount Gibson will:</p> <ul style="list-style-type: none"> • apply whatever proceeds are raised through the Rights Issue to working capital; • have to explore further potential offtake arrangements and Shareholders will not receive any of the benefits of the Offtake Agreements. Should Mount Gibson not be able to enter into alternative offtake agreements, it will be forced to sell iron ore on the spot market which may lead to sales falling below production levels. This would most likely necessitate an immediate refinancing of all debt, bonds and FX Facilities, which will be extremely difficult in the current financial environment; and • have to explore alternate funding arrangements and Shareholders will not receive any of the benefits of the funding provided through the Underwriting and the Placement. <p>If Mount Gibson was unable to achieve a refinancing of the debt, bonds and FX Facilities or to secure alternative funding arrangements, it would be in a less stable financial position and may be unable to continue as a going concern.</p> <p>Accordingly, Shareholders should carefully assess whether to wait until the Meeting has been held and all other conditions to the implementation of the Offtake Agreements, the Underwriting and the Placement are satisfied before deciding to take up their Rights.</p>	

5.5 Action

Question	Answer	Refer to
How do Eligible Shareholders find out what their Rights are?	Your Rights are set out on the personalised Entitlement and Acceptance Form accompanying this Prospectus.	Entitlement and Acceptance Form
What can I do with my Rights?	You can do the following: <ul style="list-style-type: none">• take up all or part of your Rights;• trade all or part of your Rights; or• do nothing, in which case your Rights will lapse.	Section 9.1
Can I trade my Rights?	Yes, Rights can be traded on ASX and they can be privately transferred. However, the acquisition of Rights is subject to heightened risk as described in section 13.3(b).	Sections 9.4 and 9.6
What happens if I do not take up my Rights, or take up only part of my Rights?	If you do not take up all of your Rights by the Closing Date, then New Shares representing the number of New Shares not taken up under your Rights will form part of the Shortfall. This may lead to your interest in Mount Gibson being diluted, if other Shareholders take up their Rights and also if the Underwriting is approved by Shareholders.	Section 9.3
How do I accept the Rights Issue?	If you wish to take up all or part of your Rights, you must either: <ul style="list-style-type: none">• complete and return the personalised Entitlement and Acceptance Form to the Registry together with a cheque, bank draft or money order so that it is received by the Share Registry by no later than the Closing Date; or• pay the full Application Monies via BPAY[®] payment by no later than 4:00pm (WDT) on the Closing Date.	Section 9.2

5.6 Risks associated with the Rights Issue

Question	Answer	Refer to
What risks are associated with an investment in New Shares?	For a summary of the risks which may be associated with an investment in New Shares, please refer to sections 2 and 13.	Sections 2 and 13
What risks do I face if the conditions to implementation of the Offtake Agreements, the Underwriting and the Placement are not satisfied or waived before I take up my Rights?	<p>Each of the Offtake Agreements, the Underwriting Agreements and the Subscription Agreement is conditional on Shareholder approval and various other conditions (including that the APAC Underwriting Agreement is conditional on APAC shareholder approval). As set out in the Notice of Meeting, the Resolutions are interconditional. Accordingly, if each or any of the Resolutions is not approved:</p> <ul style="list-style-type: none">• the Offtake Agreements will not become binding on Mount Gibson, APAC and Shougang Concord;• APAC and Shougang Concord will not subscribe for any of the Shortfall Shares; and• the Placement will not proceed. <p>However, the Rights Issue is not itself subject to the approval of Shareholders and will proceed regardless of whether or not Shareholders approve the Offtake Agreements, the Underwriting and the Placement.</p> <p>Accordingly, in addition to the other risks associated with an investment in New Shares, if Shareholders take up their Rights prior to the satisfaction or waiver of all of the conditions, there is a risk that they will have increased their investment in Mount Gibson and the Transaction will not be implemented, in which case Mount Gibson will be in a less stable financial position and may be unable to continue as a going concern.</p> <p>Accordingly, Shareholders should carefully assess whether to wait until the Meeting has been held and all other conditions to the implementation of the Offtake Agreements, the Underwriting and the Placement are satisfied before deciding to take up their Rights.</p>	Section 13.3(a)

Question	Answer	Refer to
What risks are associated with the acquisition of Shareholders' Rights during the Rights Trading Period?	<p>In addition to the risks that may be associated with an investment in New Shares, the decision to acquire any Rights during the Rights Trading Period is subject to the material risk that each of the conditions precedent to the implementation of the Offtake Agreements, the Underwriting and the Placement will have not been satisfied or waived by the close of the Rights Trading Period. Transactions in Rights during the Rights Trading Period will be conducted in the absence of any certainty as to whether or not Mount Gibson will realise any of the benefits that Mount Gibson believes will result from the Transaction.</p> <p>If the Transaction is not implemented in its entirety, Mount Gibson will be in a less stable financial position and there is a risk that Mount Gibson may be unable to continue as a going concern. At the close of the Rights Trading Period, investors holding Rights will be unable to further trade in those Rights and will only be able to take up all or part of their Rights or allow the Rights to lapse.</p>	Sections 9.5 and 13.3(b)

5.7 Further information

Other information	<p>If you have any questions about the Rights Issue that are not answered in this Prospectus you should consult your accountant, stockbroker, lawyer or other professional adviser before deciding to invest or call the Mount Gibson Investor Information Line on 1300 794 682 (toll free within Australia) or on +61 2 8280 7751 (from outside Australia) at any time from 8.30am (EDST) to 5.30pm (WDT) Monday to Friday during the Offer Period.</p>	N/A
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6 Key investment details

6.1 The Rights Issue

This Prospectus contains details of a Rights Issue of New Shares in Mount Gibson to raise approximately A\$96.5 million (before expenses).

The Rights Issue is a pro rata renounceable rights offer to Eligible Shareholders at an Issue Price of A\$0.60 per New Share. Under the Rights Issue, Eligible Shareholders will be entitled to 1 New Share for every 5 Existing Shares held on the Record Date.

APAC has committed to take up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement. In addition, APAC and Shougang Concord have separately underwritten any Shortfall that may occur under the Rights Issue. The Underwriting is, however, subject to conditions including Shareholder and FIRB approval and, in the case of APAC's obligations, approval by APAC shareholders (in respect of the aggregate subscription of Shares pursuant to the APAC Underwriting Commitment and as a result of taking up all of its Rights issued in relation to Shares it held as at the date of the APAC Heads of Agreement). See sections 6.5 and 14.4 for more details.

The Rights Issue is part of a broader transaction also comprising the Offtake Agreements and the Placement.

Under the Offtake Agreements, Mount Gibson will agree to sell certain iron ore it produces to each of Shougang Concord and APAC.

Under the Placement, Mount Gibson will place 110,000,000 New Shares to Shougang Concord at A\$0.60 per New Share to raise A\$66 million (before expenses).

The Offtake Agreements, the Underwriting and the Placement are each subject to Shareholder approval (amongst other conditions). If Shareholder approval of the Offtake Agreements, the Underwriting and the Placement is not obtained, the Rights Issue will still proceed. However, in these circumstances, there is a risk that Mount Gibson will be in a less stable financial position and may not be able to continue as a going concern.

Further information in relation to the Offtake Agreements is set out in section 6.4.

Further information in relation to the Placement is set out in section 6.6.

6.2 Context of the Rights Issue

(a) The steel market in China

At the date of this Prospectus, and since July 2008, Chinese steel slab prices have decreased by 43.4% and hot roll coil prices have decreased by 48.4%. Most major steel mills have announced steel production forecast decreases of 20-30% through both ceasing production at existing furnaces and/or deferring commissioning of new furnaces. This has had a material and immediate effect on the market for iron ore. Spot iron ore prices (63% Fe fines) have declined from US\$171.7 per tonne (CIF China) at 1 July 2008 to US\$61.7 per tonne as at 1 December 2008.

Figure 1: Steel pricing since 1 July 2008

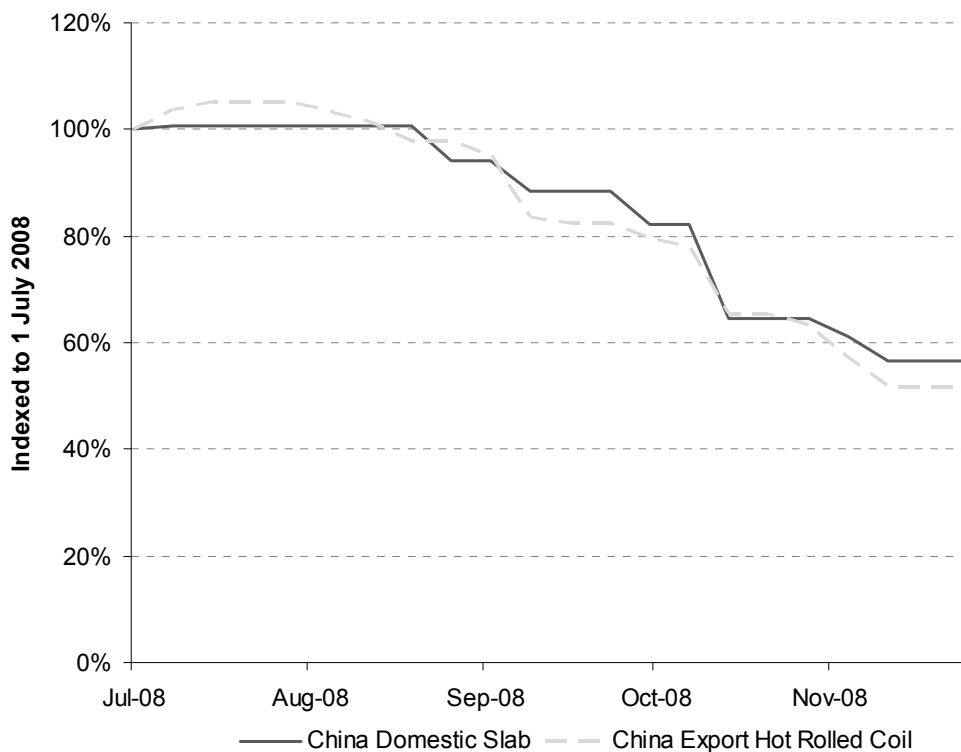
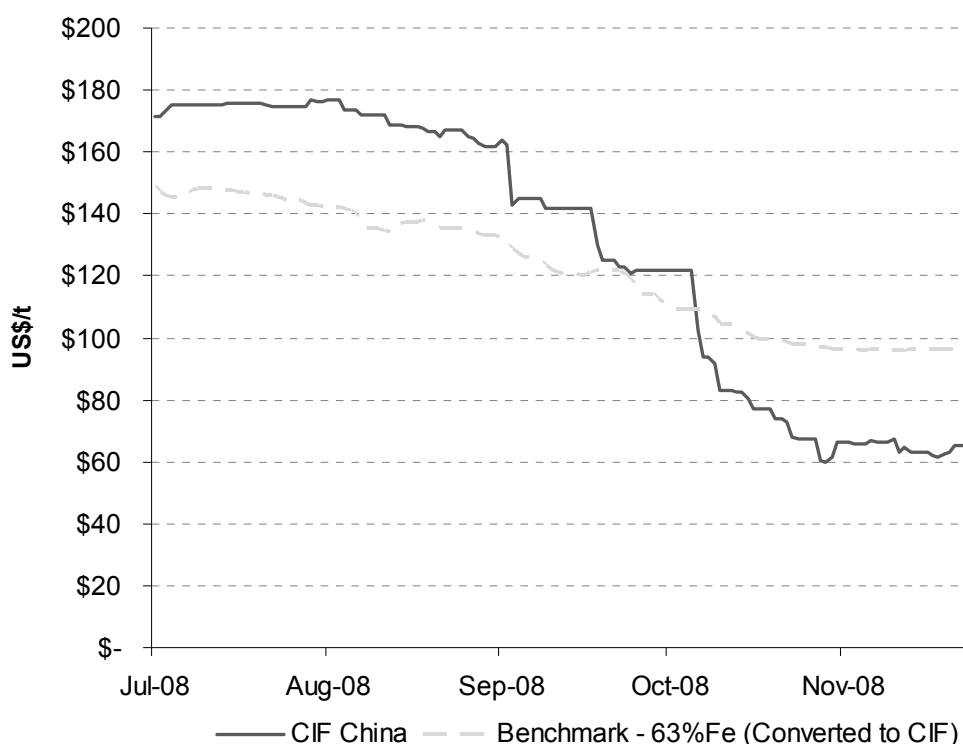


Figure 2: Iron ore CIF China (est) fines price since 1 July 2008



Source: Bloomberg

Note:

1. Based on closing prices as at 1 December 2008

2. Benchmark converted to CIF with the addition of implied shipping rates. Implied shipping rates calculated using current freight rate from Metal Bulletin adjusted using the Baltic Dry Shipping Index

The decreases in steel prices, together with ongoing energy and metallurgical coal shortages, lack of credit and general inflation, has led to considerable margin pressure for Chinese steel manufacturers. Further, the drop in spot iron ore prices to well below annual contract benchmark prices has led to considerable margin pressure and/or financial distress amongst iron ore traders.

(b) Purchasers of Mount Gibson's product default on their offtake agreements

Up until early November 2008, Mount Gibson had both traders and steel mills amongst its offtake customers. These customers had signed legally binding life of mine offtake agreements with Mount Gibson at times when the iron ore market was experiencing material supply constraints. The terms of those agreements included product specifications for ore to be supplied. Ore not meeting the specifications had penalties applied. The agreements were based on Hamersley Benchmark Iron Ore Prices for fines and lump prices and did not provide discounts to the customers to reflect the different specifications between the Mount Gibson product and the Hamersley Benchmark Material (other than iron ore industry standard penalty specifications) or the additional costs of shipping out of Koolan Island and Geraldton relative to Dampier (where the Hamersley Benchmark Material is sourced).

While each customer had complied with offtake schedules up to the end of September 2008, requests for deferrals of shipments arose during September and increased in early October 2008. During October 2008, three customers defaulted on their legally binding offtake agreements and did not take scheduled shipments within the allowed time period. A dispute also arose with another customer over that customer's shipping schedule for the fourth quarter of 2008, and that customer subsequently failed to collect shipments

originally planned for it in October. As a result of these defaults and disputes, only two shipments were made during that month compared with ten planned shipments.

Accordingly, Mount Gibson terminated three of the defaulting customers' offtake agreements in accordance with their terms.

Mount Gibson has also reached an accommodation on shipments for the fourth quarter of 2008 with two of its customers, one of which was, in Mount Gibson's opinion, already in default. Accordingly, the offtake agreements with those two customers remain on foot.

In November 2008, a further customer defaulted by failing to take a scheduled shipment. Mount Gibson is presently in discussions with that customer regarding that default and, whilst it has not yet terminated that customer's offtake agreement such that that agreement remains on foot, it has reserved its legal rights to do so should a mutually acceptable compromise not be reached.

Without a rapid resolution to these iron ore offtake issues, Mount Gibson would most likely be required to refinance its existing A\$200 million debt facilities which are presently drawn to A\$105 million and its existing A\$25 million contingent finance (bond) facilities. Mount Gibson would also need to refinance and/or close its FX Facilities which presently represents an A\$230 million mark-to-market liability.¹

(c) **Decision to undertake the Transaction**

Accordingly, Mount Gibson sought to find alternative offtake purchasers to its defaulting customers and capital raising opportunities to secure the future of the Company. Mount Gibson and its advisers expended time and resources in investigating alternatives to the Transaction, such as offtake agreements with parties other than APAC and Shougang Concord and alternative sources of funds to the Rights Issue, Underwriting and Placement. However, these efforts did not result in any superior alternatives and accordingly Mount Gibson is putting the Offtake Agreements, the Underwriting and the Placement to Shareholders for their approval while also pursuing all available remedies against the defaulting customers.

Shareholders should note that despite the fact that the Rights Issue, the Underwriting, and the Placement may increase APAC's and Shougang Concord's control position as described in section 11, Mount Gibson has elected to structure one component of the equity raising as a rights issue to give Shareholders an opportunity to participate on the same terms as APAC and Shougang Concord.

A further option that was considered was the potential for Mount Gibson to cease expending its cash and simply suspend its operations. However, this is not a feasible option because doing so would crystallise Mount Gibson's obligations to repay its finance facilities (including the FX Facilities) and certain obligations in relation to the Extension Hill project. In this case Mount Gibson would be unable to continue to operate as a going concern if it could not refinance these facilities on acceptable terms.

6.3 Purpose of the Rights Issue and use of funds

Due to lower realised prices and sales as a result of the recent defaults by offtake customers, particularly in the short and medium term, Mount Gibson requires additional funding from the Rights Issue, Underwriting and Placement to enable it to:

- recommence development at Koolan Island by cutting back the main pit in July 2009;

¹ Mark-to-market liability is calculated as at 20 November 2008 and has been based on a spot Australian dollar : US dollar exchange rate of 0.6348.

- recommence construction and development of Extension Hill in July 2009 which will require further capital expenditure of approximately A\$70 million;
- cash settle excess foreign exchange contracts. Mount Gibson has approached providers of the FX Facilities with a proposal to roll forward excess US dollar forward contracts (above that required to cover expected near term US dollar revenue) and they have agreed to roll forward excess US dollar forward contracts for November and December 2008 to January 2009. Based on preliminary discussions to date between Mount Gibson and the providers of the FX Facilities, Mount Gibson expects they are likely to give due consideration to rolling forward excess US dollar forward contracts beyond January 2009 if required. However, no assurance can be provided that the providers of the FX Facilities will agree to this, in which case material cash funds of approximately A\$77 million may be required for cash settlement of the excess FX forward contracts². Mount Gibson considers that the funds raised through the Rights Issue, the Underwriting and the Placement would be sufficient to cover this amount³; and
- provide a working capital buffer to the reduced revenue resulting from the recent defaults by offtake customers.

As a result, Mount Gibson will be better placed to deal with further volatility in the iron ore and financial markets. In addition, Mount Gibson will have a reduced requirement for further drawing down existing debt facilities so as to minimise its leverage level in these uncertain times.

If the Offtake Agreements, the Underwriting and the Placement are not approved, Mount Gibson will:

- apply whatever proceeds are raised through the Rights Issue to working capital;
- have to explore further potential offtake arrangements and Shareholders will not receive any of the benefits of the Offtake Agreements. Should Mount Gibson not be able to enter into alternative offtake agreements, it will be forced to sell iron ore on the spot market which may lead to sales falling below production levels. This would most likely necessitate an immediate refinancing of all debt, bonds and FX Facilities, which will be extremely difficult in the current financial environment. There is a material risk that Mount Gibson would not be able to achieve a refinancing of the debt, bonds and FX Facilities and consequently will be in a less stable financial position and may be unable to continue as a going concern; and
- have to explore alternate funding arrangements and Shareholders will not receive any of the benefits of the funding provided through the Underwriting and the Placement. This will impose a significant burden on the time that the management of Mount Gibson will have available to devote to the ongoing management of Mount Gibson's operations and a significant financial cost on Mount Gibson. Further, in the event of the Underwriting and the Placement not proceeding and similar or more favourable alternative funding not being accessed by Mount Gibson, Mount Gibson may be unable to continue as a going concern.

² Based on the Australian dollar : US dollar exchange rate of 0.6348 for the period 1 January 2009 to 30 June 2009.

³ Based on the Australian dollar : US dollar exchange rate not falling below 0.49 and remaining at that level at all times until 30 June 2009.

6.4 Offtake Agreements

Mount Gibson has entered into a series of offtake agreements with each of APAC and Shougang Concord.

Under the Shougang Concord Offtake Agreements, Mount Gibson has agreed to sell and Shougang Concord has agreed to purchase:

- 100% of Mount Gibson's Available Production from the Koolan Island and Talling Peak mines in the medium term (from 3 January 2009 until 30 June 2009); and
- 80% of Mount Gibson's Available Production from the Koolan Island and Talling Peak mines in the long term (from 1 July 2009 for the life of the mine).

Under the APAC Offtake Agreements, Mount Gibson has agreed to sell and APAC has agreed to purchase 20% of the Available Production from the Koolan Island and Talling Peak mines, from 1 July 2009 for the life of each of the mines,

Mount Gibson has also entered binding agreements under which it agrees with each of APAC and Shougang Concord, to enter into separate agreements on substantially similar terms as those set out in the respective Talling Peak long term offtake agreements (subject to good faith negotiations in respect of the price adjustment mechanisms and the physical specifications following completion of further drilling and metallurgical testing by Mount Gibson at Extension Hill) in respect of the Available Production from the Extension Hill mine.

For more information regarding the pricing arrangements under the Offtake Agreements, refer to section 13.3(f) of this Prospectus.

Given the value of the offtake to be sold under the Offtake Agreements, in accordance with the ASX Listing Rules, they are conditional upon approval by Mount Gibson Shareholders at the Meeting.

A more detailed summary of the terms of the Offtake Agreements can be found in Schedule 3 to the Explanatory Memorandum.

6.5 Underwriting

If all Shareholders do not take up all of their Rights under the Rights Issue, there will be a Shortfall.

APAC and Shougang Concord have agreed to fully underwrite the Rights Issue by way of separate underwritings, subject to, amongst other conditions, Shareholder approval at the Meeting, FIRB approval and, in respect of the aggregate subscription of Shares pursuant to the APAC Underwriting Commitment and as a result of taking up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement, approval by APAC shareholders.

APAC has committed to take up all of its Rights in the Rights Issue in relation to Shares it held as at the date of the APAC Heads of Agreement. In addition, subject to various conditions under the APAC Underwriting Agreement, including FIRB approval and APAC shareholder approval, APAC has agreed to underwrite up to the first 82,900,000 Shortfall Shares. Assuming that APAC is required to subscribe for 82,900,000 Shortfall Shares, this would increase APAC's shareholding in Mount Gibson to approximately 26.03% (as diluted by the Placement). If all Shareholders take up their Rights and consequently there is no Shortfall, APAC's shareholding in Mount Gibson would be approximately 18.32% (as diluted by the Placement).

Under the Shougang Concord Underwriting Agreement, subject to various conditions, including FIRB approval, if there are more than 82,900,000 Shortfall Shares, Shougang Concord has agreed to subscribe for the balance, subject to a maximum of 50,000,000 Shortfall Shares. This will give Shougang Concord a shareholding in Mount Gibson of approximately 4.68% prior to the Placement. The effect on Shougang Concord's shareholding post the Placement is discussed in section 6.6 below.

The net result of the above arrangements is that the Rights Issue is fully underwritten as, together but by way of separate underwritings, APAC and Shougang Concord have agreed to take up the full amount of any Shortfall.

Please see section 14.4 for more details of the Underwriting Agreements.

Please see section 6.7 for more details of the Shareholder approval.

6.6 Placement

Under the Subscription Agreement, subject to, amongst other conditions, Shareholder approval at the Meeting and FIRB approval, Mount Gibson will place 110,000,000 New Shares, or approximately 10.23% of Mount Gibson (post the Rights Issue and the Placement), to Shougang Concord at A\$0.60 per New Share to raise A\$66 million (before expenses).

As a result of the Rights Issue, Underwriting and Placement, Shougang Concord's maximum shareholding in Mount Gibson will be 14.43%. If all Shareholders take up their rights and consequently there is no Shortfall, Shougang Concord's shareholding in Mount Gibson would be 10.23% as stated above.

A more detailed summary of the terms of the Subscription Agreement can be found in Schedule 2 to the Explanatory Memorandum.

Please see section 6.7 for more details of the Shareholder approval.

6.7 Need for Shareholder approval of the Underwriting and the Placement

As described above, Shareholder approval will be sought at the Meeting for the Offtake Agreements, the Underwriting and the Placement. The approvals in respect of the Underwriting and the Placement are sought because, as described below, APAC and Shougang Concord may be considered associates for the purposes of the Corporations Act.

(a) Background on APAC and Shougang Concord

(1) APAC

APAC is an investment holding company which has historically focused on the trading of base metals, fabric products and other merchandise. APAC has a trading portfolio of listed securities and investments in the resources and related industries. APAC is incorporated in Bermuda with limited liability and listed on the Hong Kong Stock Exchange (HKEx: 1104).

APAC has a market capitalisation of approximately HK\$1.1 billion. APAC's share price has been affected by market volatility and revised shareholder growth expectations, decreasing from a peak of HK\$2.06 in October 2007 to current levels of HK\$0.24 as at 1 December 2008.

APAC underwent a restructure during 2007 and introduced a new business trading in iron ore. APAC focuses on the following strategies:

- attracting small to mid-sized Chinese steel mills to become strategic shareholders in APAC and consolidating their demand for raw materials;

- securing long term iron ore offtake for the small to mid-sized Chinese steel mills;
- creating a direct and efficient platform for small to mid-sized Chinese steel mills to trade and invest in overseas resource assets and/or companies; and
- identifying quality investments in the resources related sector and investment in resources assets either through corporate investments or direct project interests.

(2) Shougang Concord

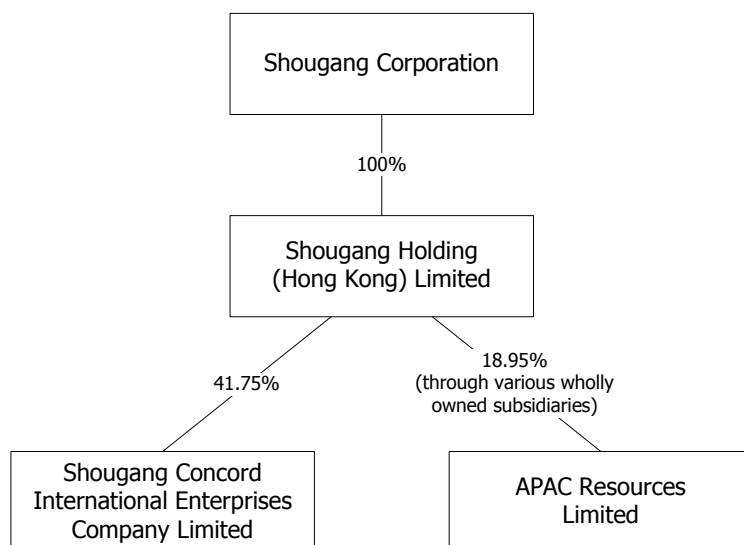
Shougang Concord is an investment holding company listed on the Hong Kong Stock Exchange (HKEx: 0697) and is primarily involved in the manufacture and sale of steel products. Other business segments include shipping operations, manufacture of steel products, processing and trading of copper and brass products, trading of steel products and mineral exploration.

Shougang Corporation, one of China's largest steel producers, currently owns (through a wholly owned subsidiary) a 41.75% shareholding in Shougang Concord. As at 31 December 2007, Shougang Concord had 4,062 employees.

As at 1 December 2008, Shougang Concord has a market capitalisation of approximately HK\$5.6 billion. Shougang Concord's share price has also been affected by market volatility and revised shareholder growth expectations, decreasing from a peak of HK\$4.23 in November 2007 to the current levels of HK\$0.78 as at 1 December 2008.

(b) **Structural links**

APAC and Shougang Concord are both Hong Kong Stock Exchange listed entities. One of APAC's substantial shareholders is Shougang Holding (Hong Kong) Limited (**SHHKL**) which, as at 24 November 2008, owns approximately 18.95% of the shares in APAC. SHHKL also owns approximately 41.75% of Shougang Concord. SHHKL is a wholly owned subsidiary of the state owned Shougang Corporation, based in the People's Republic of China.



In addition, Mr Cao Zhong is a common director of APAC and Shougang Concord. Mr Cao Zhong is chairman of APAC, managing director of Shougang Concord and vice chairman and general manager of SHHKL.

Notwithstanding the above, Mount Gibson is informed by APAC and Shougang Concord that the boards of directors of APAC and Shougang Concord respectively are independent from each other and neither board has any influence over the other in relation to its decision making process.

(c) **The Takeovers Panel Decision**

In early 2008, Shougang Concord proposed to purchase approximately 19.72% of Mount Gibson from a third party, when APAC then held approximately 20.19% of Mount Gibson (**Share Purchase**).

At that time given, amongst other things, the shareholding of SHHKL in both APAC and Shougang Concord and Mr Cao Zhong's role in both companies, Mount Gibson was concerned that APAC and Shougang Concord were associates for the purposes of the Corporations Act. If they were in fact associates, the Share Purchase would lead to control of Mount Gibson passing to APAC and Shougang Concord together, without Shareholders having the ability to vote on that change of control. Accordingly, Mount Gibson applied to the Takeovers Panel to block the Share Purchase on the basis that it would result in APAC and Shougang Concord increasing their voting power to 39.91% other than through a means permitted under the Corporations Act.

On 31 March 2008 the Takeovers Panel found that APAC and Shougang Concord were associates at that time for the purposes of the Corporations Act and made a declaration of unacceptable circumstances in relation to the Share Purchase. As a result, the Share Purchase did not proceed.

(d) **Requirement for Shareholder approval for the Offtake Agreements, Underwriting and Placement**

Notwithstanding that APAC and Shougang Concord do not consider that they are associates, given the shareholding of SHHKL in both APAC and Shougang Concord, the fact APAC and Shougang Concord have a common director, and the Takeovers Panel Decision, Mount Gibson considers that APAC and Shougang Concord may be associates for the purposes of the Corporations Act.

If that were the case, APAC and Shougang Concord will each be taken to have voting power in Mount Gibson that includes Shares held by them and held by the other entity. On this view, upon:

- APAC taking up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement (and assuming no other Shareholders take up their Rights and no third party buys the Rights);
- APAC and Shougang Concord both subscribing for their respective Underwriting Commitments; and
- Shougang Concord being issued 110,000,000 New Shares pursuant to the Placement,

each of APAC and Shougang Concord will have voting power in Mount Gibson of up to 40.46% (comprising 26.03% held by APAC and 14.43% held by Shougang Concord).

If all Shareholders take up their Rights and consequently there is no Shortfall, then each of APAC and Shougang Concord will have voting power in Mount Gibson of 28.55% (comprising 18.32% held by APAC and 10.23% held by Shougang Concord).

The Corporations Act requires that acquisitions of relevant interests in shares that increase a person's voting power in a company from below 20% to above 20%, or if already above 20%, increase their voting power by any amount, must be approved by shareholders (or proceed by other permitted means). Accordingly, Mount Gibson considers it prudent to seek Shareholder approval for the Underwriting and the Placement which will result in an increase in each of APAC's and Shougang Concord's voting power.

As APAC and Shougang Concord may be considered to be associates for the purposes of the Corporations Act, neither APAC nor Shougang Concord may vote on any of the Resolutions in relation to the Offtake Agreements, the Underwriting and the Placement. The Rights Issue does not require Shareholder approval because it is made on the same terms to all Shareholders.

7 Rationale for the Rights Issue

As discussed previously, the Rights Issue is part of the broader Transaction also involving the Offtake Agreements, Underwriting and Placement. Mount Gibson has chosen to conduct the Rights Issue and structure it in the manner described in this Prospectus for a number of reasons, which are set out below.

(a) **Transaction secures offtake agreements in a volatile market**

Under short term offtake agreements entered into in November 2008, APAC and Shougang Concord have separately contracted to purchase, during November and December 2008, all Available Production that Mount Gibson can sell to each of APAC and Shougang Concord without the approval of Shareholders. Should Shareholders vote to approve the Offtake Agreements, which apply for medium and long term offtake, Mount Gibson will return to the position of having 100% of its Available Production subject to offtake agreements from January 2009.

Having the Offtake Agreements in place will avoid the very likely requirement for near term refinancing of debt, bonds and FX Facilities. It will also allow Mount Gibson to continue development of the Koolan Island main pit operation and continue construction of the Extension Hill project, albeit at a slower pace. Without offtake issues being resolved in the near term and given the state of equity and debt markets at present, it is likely that Mount Gibson would have to sell one or more of its material assets (Koolan Island, Tallering Peak and/or Extension Hill) in order to achieve the debt refinancing. It is uncertain whether Mount Gibson's lenders would seek to achieve that outcome through a receiver or by working with the existing Board and management.

(b) **Access to expertise in the steel industry**

The Transaction will allow Mount Gibson to further develop its relationship with APAC, a trader in the iron and steel industry, and to introduce Shougang Concord, a steel producer and major trader in the iron and steel industry, as a substantial shareholder on Mount Gibson's share register.

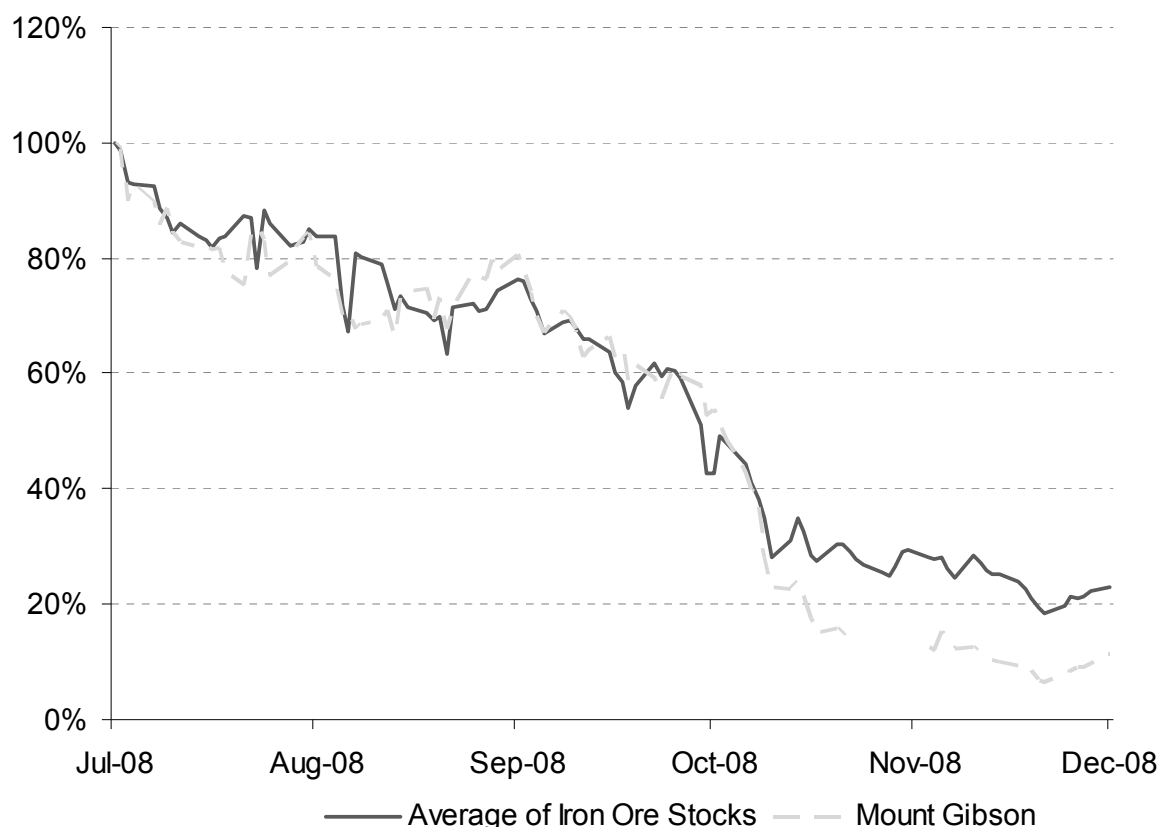
(c) **Enhanced financial platform to develop Mount Gibson's assets**

In the current financial climate, several companies with large capital requirements have been facing significant difficulty in raising capital or could only do so on very unattractive terms. The Transaction will materially reduce Mount Gibson's reliance on public equity and debt markets.

Recent turmoil in world financial markets has seen iron ore stocks on the ASX trade down by 77% since 1 July 2008 and Mount Gibson has experienced a similar trend to its peers, falling by 89%.

The charts below show the performance of Mount Gibson's Share price against other iron ore companies listed on the ASX for the period from 1 July 2008.

Figure 3: Share price performance of ASX listed iron ore companies



Source: Bloomberg

Note:

1. Based on closing prices as at 1 December 2008
2. Given current market volatility, the share price performance of the ASX listed iron companies included in the chart above may change significantly between the date of the Prospectus and the date of the Meeting
3. Iron Ore Stocks include FMG, AGO, GBG, GRR, MMX, TTY, SPH, ARH, CFE, GWR

(d) **Selected Issue Price is in the best interests of Shareholders**

As at 1 December 2008, shortly prior to the date of this Prospectus, Mount Gibson's share price was A\$0.35 per Share.

In determining the Issue Price of A\$0.60 per Share, the Mount Gibson Independent Directors were aware that it is normal market practice for a rights issue to be priced at a discount to the current market price of the underlying security. However, in the circumstances the Mount Gibson Independent Directors considered that the value of the Company is above its current market price, due to a number of factors including the market discounting the Share price for the uncertainty associated with whether the Transaction will proceed. Accordingly, an issue price of less than A\$0.60 was not considered to be in the interests of Shareholders.

Here it is noted that the Independent Expert's valuation range (as included in the Independent Expert's Report annexed to the Explanatory Memorandum and prepared for the Explanatory Memorandum and not this Prospectus) is between A\$1.23 per Share to A\$1.32 per Share.

(e) **Strategic Chinese shareholders**

If the Placement and the Underwriting are approved, Shougang Concord will have a shareholding in Mount Gibson of between 10.23% and 14.43% depending on the uptake

of the Rights Issue. Shougang Corporation, one of China's largest steel producers, currently owns (through a wholly owned subsidiary) a 41.75% shareholding in Shougang Concord. Shougang Concord is a well capitalised company with a profit before tax of approximately HK\$1.397 billion during the 6 months ended 30 June 2008. Shougang Concord has a strong vested interest in the success of Mount Gibson for the benefit of all Shareholders. Having a large and well funded shareholder and partner, who is also a leader in its market, is expected to assist Mount Gibson going forward.

In addition to assisting Mount Gibson in accessing capital from traditional markets, Shougang Concord may be able to help Mount Gibson access capital from other sources. Such sources may include Chinese financial institutions who, given the current weakness in Western capital markets, may be able to provide more attractive funding opportunities for Mount Gibson.

(f) **Less reliance on equity capital markets**

While the Transaction dilutes each existing Shareholder's ownership in Mount Gibson to varying degrees depending upon that Shareholder's take up of the Rights Issue, the Transaction has the benefit of reducing the requirement to source external capital to fund the development of Mount Gibson's assets.

The view that reduced reliance on external capital would be beneficial is based on Mount Gibson's experience prior to agreeing to the Transaction, when Mount Gibson undertook a process to assess the availability of funding from external sources. This process did not result in the provision of any financing.

The Mount Gibson Independent Directors believe that in the current environment raising debt or equity would be extremely difficult and there are no guarantees that it could be sourced on more favourable terms, if at all.

Indeed, the Placement and the Underwriting have been agreed based on an issue price of A\$0.60 per New Share or Placement Share which is a 48% premium to the Mount Gibson closing share price prior to announcement of the Transaction of A\$0.405. The issue price represents a 116% premium to the 10 day volume weighted average price for Mount Gibson Shares up to 1 December 2008 – prior to the date of this Prospectus. However, it does also reflect a 25% discount to the 60 day volume weighted average price for Mount Gibson Shares up to 1 December 2008. This longer term price incorporates 29 days of trading prior to announcement of the offtake issues on 9 October 2008. When compared to the volume weighted average price since that announcement, the issue price of A\$0.60 per New Share or Placement Share reflects a 45% premium.

Table 1: Transaction price premium (discount)

	Transaction price premium (Discount) % to VWAP
10 day VWAP	116%
30 day VWAP (since 9 October)	45%
60 day VWAP	(25%)

(g) **Rights Issue gives Shareholders opportunity to invest on the same terms as Shougang Concord and APAC**

Shareholders should note that despite the fact the Underwriting and the Rights Issue may increase APAC's and Shougang Concord's control position as described in section 5.3, Mount Gibson has elected to structure one component of the equity raising as a rights issue to give Shareholders an opportunity to participate on the same terms as APAC and Shougang Concord.

8 Further details of the Rights Issue

8.1 Rights trading

The Rights to New Shares are renounceable, which means Shareholders who do not wish to take up some or all of their Rights can sell or otherwise transfer all or part of their Rights. Mount Gibson will apply to ASX for the official quotation of Rights and trading of Rights on ASX is expected to commence on 5 December 2008 and end on 29 December 2008.

8.2 Rounding and share splitting

All Rights will be rounded up to the nearest whole number of New Shares.

If the Company reasonably believes that a Shareholder has been a party to the splitting or division of a shareholding in an attempt to obtain an advantage from the rounding up of Rights, then the Company reserves the right to round the Rights of such holdings so as to provide only the number of New Shares that would have been received but for the splitting or division.

8.3 Ranking of New Shares

New Shares will be issued on a fully paid basis and will rank equally in all respects with Existing Shares.

8.4 ASX quotation and trading of New Shares

Mount Gibson will apply to ASX for the official quotation of the New Shares. Subject to approval being granted, it is expected that normal trading of New Shares issued under the Rights Issue will commence on Tuesday, 13 January 2009. If ASX does not permit quotation within three months from the date of this Prospectus, the Application Monies will be refunded in full without interest.

Holding statements are expected to be dispatched to Eligible Shareholders on Monday, 12 January 2009. It is the responsibility of each Applicant to confirm their holding before trading in New Shares commences. Any Applicant who sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. Mount Gibson disclaims all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by Mount Gibson or the Registry.

8.5 Treatment of Foreign Shareholders

This Prospectus is being sent to all Shareholders on the register as at 5.00pm (WDT) on the Record Date with registered addresses in Australia, New Zealand and Hong Kong.

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Return of a duly completed Entitlement and Acceptance Form or BPAY[®] payment will be taken by Mount Gibson to constitute a representation that there has been no breach of such laws. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Eligible Shareholders who hold

Shares on behalf of persons who are not resident in Australia, New Zealand or Hong Kong are responsible for ensuring that taking up New Shares under the Rights Issue does not breach the selling restrictions set out in this Prospectus or otherwise violate the securities laws in the relevant overseas jurisdictions.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and anyone who receives this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares or the Rights Issue, or otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. However, as discussed above, Shareholders with a registered address in New Zealand and Hong Kong will be considered Eligible Shareholders pursuant to certain exemptions from the registration requirements in those jurisdictions.

The New Shares have not been, nor will they be, registered under the United States Securities Act of 1933 or the securities laws of any other state in the United States and may not be offered or sold to, or for the account or benefit of, US Persons.

The following international selling restrictions relate to the issue of New Shares under the Rights Issue.

(a) **New Zealand**

This Prospectus, which will be applicable to any offer made to members of the public in New Zealand, has not been registered, filed with or approved by any New Zealand regulatory authority or under or in accordance with the Securities Act 1978 (New Zealand).

Under the Rights Issue, no securities may be offered or sold to the public within New Zealand and no member of the public in New Zealand may accept the Rights Issue, other than persons, being existing holders of Shares, on the Record Date, to whom it is permissible for the Rights Issue to be made to in reliance on an exemption from the New Zealand Securities Act 1978 (Securities Act (Overseas Companies) Exemption Notice 2002).

(b) **Hong Kong**

WARNING

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Rights Issue. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This Prospectus has not been, and will not be, registered as a prospectus in Hong Kong under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (**CO**) nor has it been registered with the Companies Registry or authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (**SFO**). Accordingly, this Prospectus must not be issued, circulated or distributed in Hong Kong other than:

- (1) to "professional investors" as defined in the SFO and any rules made under that ordinance;
- (2) in other circumstances which do not result in the Prospectus being a "prospectus" as defined in the CO or which do not constitute an offer to the public within the meaning of the CO or the SFO;
- (3) to holders of "securities" of the Company, as defined in the SFO; or
- (4) in connection with an invitation made in good faith to enter into an underwriting agreement.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Shares under this Prospectus, which is directed at, or the content of which are likely to be accessed or read by, the public of Hong Kong other than with respect to the New Shares which are or are intended to be disposed of only to persons outside Hong Kong.

In accordance with applicable Hong Kong securities laws, no person allotted the New Shares under this Prospectus may sell, or offer to sell, such New Shares to the public in Hong Kong within six months following the date of issue of such New Shares.

(c) **Excluded Shareholders**

Mount Gibson will not make an Offer to Shareholders with a registered address outside of Australia, New Zealand or Hong Kong (**Excluded Shareholders**). Mount Gibson has decided that it is unreasonable to extend the Rights Issue to Excluded Shareholders having regard to:

- (1) the number of Shareholders outside Australia, New Zealand and Hong Kong;
- (2) the number and value of New Shares that would be offered to Shareholders outside of Australia, New Zealand and Hong Kong; and
- (3) the cost of complying with the legal requirements, and requirements of regulatory authorities, in the overseas jurisdictions.

In accordance with Listing Rule 7.7.1 and section 615 of the Corporations Act, the Company will appoint an ASIC approved nominee (**Nominee**) to arrange for the sale on ASX of the Rights that would have been granted to Excluded Shareholders.

The Nominee will direct the net proceeds (if any) to Mount Gibson or another party upon its instruction to facilitate pro rata payments to Excluded Shareholders. The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Rights may be sold and the manner in which any sale is made.

Any interest earned on the proceeds of the sale of these Rights will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Excluded Shareholder as described below.

The proceeds of sale (if any) will be paid in Australian dollars to the Excluded Shareholders for whose benefit the Rights have been sold in proportion to their shareholdings (after deducting brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the Nominee may sell Rights, Excluded Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

Neither Mount Gibson nor the Nominee will be liable for a failure to sell Rights or to sell Rights at any particular price. If, in the reasonable opinion of the Nominee, there is no viable market for the Rights of Excluded Shareholders, or a surplus over the expenses of sale cannot be obtained for the Rights that would have been offered to the Excluded Shareholders, then those Rights will be allowed to lapse. The New Shares not taken up will form part of the Shortfall to be dealt with under the terms of the Underwriting Agreement.

8.6 Withdrawal of the Rights Issue

Mount Gibson reserves the right to withdraw the Rights Issue at any time, in which case Mount Gibson will refund Application Monies in accordance with the Corporations Act and will do so without interest.

8.7 CHESS

Mount Gibson participates in the Clearing House Electronic Subregister System (**CHESS**). ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules, ASTC Settlement Rules and ACH Clearing Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out a number of New Shares issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time. However, a charge may be made for additional statements.

9 Action required

Eligible Shareholders

You should read this section in its entirety for instructions in relation to the choices available to you as an Eligible Shareholder. You should also refer to section 6 for an overview of the Rights Issue.

Foreign Shareholders

Please refer to section 8.5 to determine whether you are an Eligible Shareholder.

9.1 Choices available

Eligible Shareholders may do any of the following:

- take up all or part of their Rights (refer to sections 9.2 and 9.6);
- trade all or part of their Rights (refer to sections 9.4 and 9.6); or
- do nothing (refer to section 9.3).

The Rights Issue is a pro rata offer to Eligible Shareholders. Eligible Shareholders who take up their Rights in full will not have their percentage shareholding in Mount Gibson diluted by the Rights Issue. The percentage shareholding of Eligible Shareholders who do not take up all of their Rights will be diluted. In addition, the percentage shareholdings of all Shareholders will be diluted by the Placement.

For further details on the Rights Issue and the Placement and their effect on Mount Gibson, please refer to section 11.

9.2 If you wish to take up all or part of your Rights

If you wish to take up all of your Rights, complete the Entitlement and Acceptance Form in respect of the number of New Shares you wish to subscribe for and arrange for payment of the Application Monies in accordance with section 9.8.

9.3 Allow all or part of your Rights to lapse

If you decide not to accept all or part of your Rights to New Shares, or fail to accept by the Closing Date, your Rights will lapse. The New Shares not subscribed for will form part of the Shortfall.

You should note that, if you do not take up your Rights, then although you will continue to own the same number of Shares, your percentage holding in Mount Gibson will be reduced.

9.4 Selling all of your Rights

If you wish to sell all or part of your Rights on ASX, please follow the instructions on the reverse of the Entitlement and Acceptance Form.

Rights trading on ASX commences on Friday, 5 December 2008 and sale of your Rights must be completed by Monday, 29 December 2008 when Rights trading ceases.

9.5 Risks associated with Rights trading

In addition to the risks that may be associated with an investment in New Shares, the decision to acquire any Rights during the Rights Trading Period is subject to the material risk that each of the conditions precedent to the implementation of the Offtake Agreements, Underwriting and Placement will not have been satisfied or waived by the close of the Rights Trading Period, such that purchasers of Rights cannot be certain whether or not the Underwriting, the Offtake Agreements and the Placement will proceed at the time they purchase their Rights.

Please see section 13.3(b) regarding the risks associated with Rights trading.

9.6 Taking up part of your Rights and selling the balance on ASX

If you wish to take up part of your Rights and sell the balance on ASX, please complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up. Also complete the section on the reverse of the Entitlement and Acceptance Form entitled 'Instructions to your Stockbroker' for the balance of the Rights that you wish to sell on ASX. Please lodge the completed Entitlement and Acceptance Form together with a cheque for the Application Monies (in respect of that part of your Rights you intend to take up) **with your stockbroker, not the Share Registry.**

To take up the balance of your Rights, your stockbroker will need to ensure that the Entitlement and Acceptance Form and Application Monies reach the Share Registry by no later than 5.00pm (WDT) on Tuesday, 6 January 2009.

9.7 Transfer

You may elect to transfer all or part of your Rights to another person other than on ASX, provided that the purchaser is not an Excluded Shareholder or would not be an Excluded Shareholder if the purchaser was the registered holder of the Shares.

If you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed standard renunciation form (available from your stockbroker or the Share Registry) together with your Entitlement and Acceptance Form completed by the transferor and transferee to the Share Registry so that it is received no later than 5.00pm (WDT) on 6 January 2009, and arrange for payment of the amount of the Application Monies in accordance with section 9.8.

9.8 Payment and return of Entitlement and Acceptance Form

You have two payment options in order to take up your Rights.

Option 1: Submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order.

To follow Option 1, you should:

- complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on that form, and indicate the number of New Shares you wish to subscribe for; and
- return the form to the Share Registry (address details below) together with a cheque, bank draft or money order which must be:
 - in respect of the full Application Monies (being A\$0.60 multiplied by the number of New Shares comprising your Rights or, if you are subscribing for part of your Rights, the number of New Shares you wish to subscribe for); and

- in Australian currency drawn on an Australian branch of a financial institution; and
- made payable to 'Mount Gibson Rights Issue Account' and crossed 'Not Negotiable'.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form in full, you will be taken to have applied for the lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed Entitlement and Acceptance Form and cheque, bank draft or money order reaches the Share Registry at the address below by no later than 5.00pm (WDT) on Tuesday, 6 January 2008.

Your completed Entitlement and Acceptance Form should be returned to the Share Registry at the following address:

Computershare Investor Services Pty Ltd
Locked Box 2508 Perth
Western Australia 6001 Australia

For the convenience of Eligible Shareholders, a reply paid envelope addressed to the Share Registry has been enclosed with this Prospectus. If mailed in Australia, no postage stamp is required.

Entitlement and Acceptance Forms (and payment of Application Monies) may not be accepted if received after 5.00pm (WDT) on Tuesday, 6 January 2008 or at Mount Gibson's registered or corporate offices.

Option 2: Pay via BPAY® payment

To follow Option 2, you should pay the full Application Monies, being A\$0.60 multiplied by the number of New Shares comprising your Rights, or, if you are subscribing for part of your Rights, the number of New Shares you wish to subscribe for via BPAY® payment in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution.

Please note that should you choose to pay by BPAY® payment:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and
- if you subscribe for less than your Rights or do not pay for your full Rights, you are taken to have taken up your Rights in respect of such whole number of New Shares which is covered in full by your Application Monies.

You need to ensure that your BPAY® payment is received by the Share Registry by no later than 4.00pm (WDT) on Tuesday, 6 January 2008. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds are submitted through BPAY® by the date and time mentioned above.

Acting on behalf of US Persons

The Rights stated on your Entitlement and Acceptance Form may be in excess of your actual Rights where, for example, you are acting on behalf of a US Person. Any Application Monies received for more than your total Rights where you are acting on behalf of a US Person will be refunded (without interest).

Entitlement and Acceptance Form

Returning a completed Entitlement and Acceptance Form or making a BPAY® payment will be taken to constitute a representation by the Applicant that they:

- have received a printed or electronic copy of this Prospectus accompanying the form and have read it in full;
- make the representations and warranties in section 8.5 of this Prospectus;
- declare that all details and statements in the form are complete and accurate;
- acknowledge that once the form is returned or a BPAY® payment made their acceptance may not be withdrawn;
- agree to being issued the number of New Shares they apply for (or a lower number issued in a way described in this Prospectus); and
- authorise Mount Gibson and its officers or agents, to do anything on their behalf necessary for New Shares to be issued to them, including to act on instructions received by the Share Registry using the contact details in the form.

9.9 Enquiries

If you are in doubt as to the course you should follow you should consult your stockbroker, accountant, solicitor or other professional adviser before deciding to invest.

If you:

- have questions in relation to the Shares upon which your Rights have been calculated; or
- have questions on how to complete the Entitlement and Acceptance Form or take up your Rights;
- have lost your Entitlement and Acceptance Form and would like a replacement form,

please call the Mount Gibson Investor Information Line on 1300 794 682 (toll free within Australia) or on +61 2 8280 7751 (from outside Australia) at any time from 8.30am (EDST) to 5.00pm (WDT) Monday to Friday during the Offer Period.

10 Overview of Mount Gibson

10.1 Overview of Mount Gibson

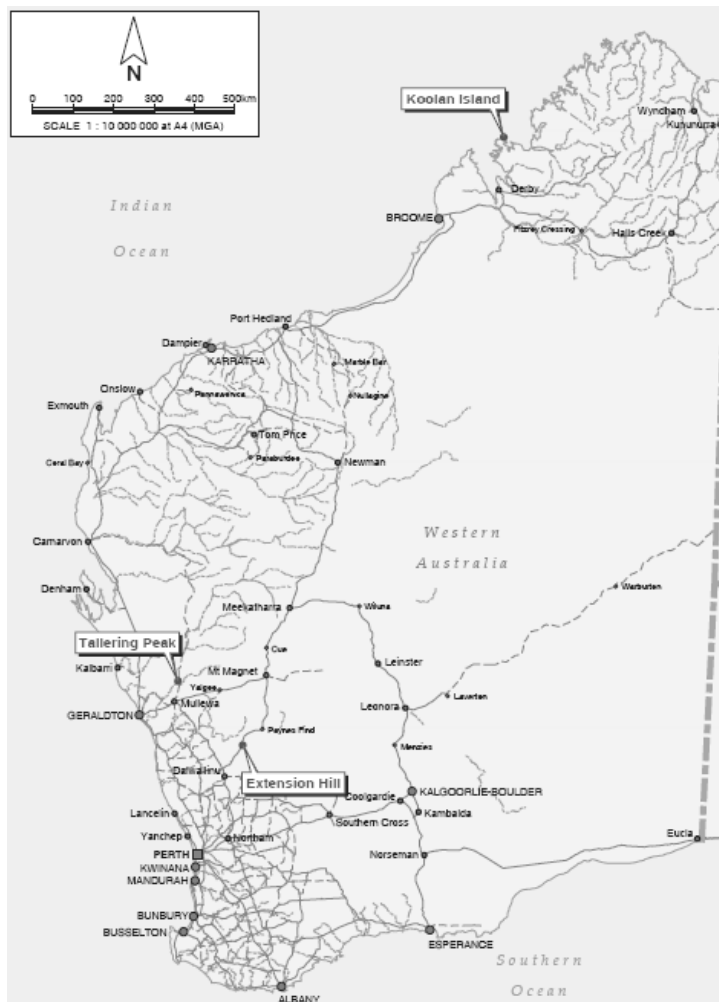
Mount Gibson is an Australian iron ore company with operating and exploration projects in the Mid-West region of Western Australia and off the Kimberley coast of Western Australia. The Mount Gibson group was established in 1996 and Mount Gibson, the ultimate parent entity, subsequently listed on the ASX in January 2002.

Mount Gibson is currently involved in three hematite projects in Western Australia:

- Talling Peak (in production);
- Koolan Island (in production); and
- Extension Hill (in construction).

The map below sets out the location of Mount Gibson's operations.

Figure 4: Location of Mount Gibson's operations



10.2 Tallering Peak

Mount Gibson's first iron ore mine was developed at Tallering Peak, which is located 170 kilometres by road and rail from the port of Geraldton in the Mid-West region of Western Australia. Mining of overburden commenced in November 2003 and the first shipment of direct shipping grade hematite occurred in February 2004. Production at the mine achieved its target production rate of 3 Mtpa in the first quarter of the 2006 financial year.

At the previously planned production rate of 3 Mtpa, and based on existing Ore Reserves at Tallering Peak, production at Tallering Peak is expected to continue to 2013 with potential to increase resources as a consequence of exploration drilling to be undertaken over the next two years.

The mined ore is crushed and screened at the mine-site and placed into lump ore and fines ore stockpiles. Tallering Peak is expected to have a lump ore/fines ore split of 65:35 over its remaining life of mine. The crushed ore is transported 65 kilometres by road-train to Mullewa where it is stockpiled at Mount Gibson's rail loading facility. At Mullewa, the ore is loaded onto rail wagons and railed 107 kilometres to Geraldton, where it is stockpiled in a purpose built 160,000 tonne capacity storage shed which is owned by Mount Gibson. From there the ore is loaded onto ships by the Geraldton Port Authority (**GPA**), for transport to China.

The road haulage, rail transport, and ship loading is carried out by experienced contractors, while Mount Gibson undertakes its own mining and crushing operations.

Mount Gibson had entered into contracts to sell all of its production for the life of the Tallering Peak mine. Prices were fixed to the Hamersley Benchmark Iron Ore Prices. These prices are reviewed annually, for adjustment on 1 April of each year.

Tallering Peak continued to improve operational performance during the 2007/08 financial year. Ore tonnes mined increased by 31% compared with the previous corresponding period. Overall, Tallering Peak achieved record annual ore production, crushing, transport and sales for the financial year.

Ore shipments were restricted until early April 2008 by ongoing congestion and poor loading rates at the Geraldton Port.

GPA commissioned its dedicated iron ore ship loader at Berth 5 in late March 2008 and achieved significant improvements in loading rates in the June 2008 quarter. The commissioning of the Berth 5 shiploader in March 2008 and the rail unloader (expected in the June 2009 quarter) is critical to building iron ore export capacity from the Geraldton Port.

Annual records were achieved for crushing, road haulage and rail haulage for the 2007/08 financial year as a result of rail upgrades, additional rolling stock and ship loading capacity at the Geraldton Port.

Tallering Peak is being mined in a number of staged cut backs throughout the life of mine. As these stages progressed during the previous financial year mining bench areas increased resulting in improvements in mine productivity and ultimately record annual mineral movements. Multiple mine stages exposed multiple ore sources allowing optimal feed blend to the crushing circuit for fines and lump ore production. Staged cut backs of the Tallering Mine Range ore sources will continue in 2008/09 with supplementary ore supply being produced from the T5 open cut.

As a result of customer offtake defaults, Mount Gibson has deferred the T6B2 cut back at Tallering Peak until July 2009. Total material movement and ore production is forecast to reduce in 2008/09, allowing Mount Gibson to draw down marginally on substantial ore stockpiles which have been generated during the previous year. Ore stockpiles at 30 September 2008 totalled 1.7 Mt.

Continued infill and extensional exploration drilling at Talling Peak has significantly enhanced Mount Gibson's knowledge of the Talling Peak geological resource and has allowed mine production to be planned with a high level of confidence. Ore mined during the previous financial year versus the Ore Reserve resulted in a 98% tonnes and 100% grade reconciliation. Exploration will focus on extending the resource and reserve base over the next two years at Talling Peak.

10.3 Koolan Island

The Koolan Island hematite project, which is located in the Buccaneer Archipelago of Yampi Sound, 130 kilometres northwest of Derby in Western Australia, was opened by BHP Billiton Limited in 1965 and operated until 1993.

In early 2000, Aztec Resources Limited (**Aztec**) acquired the Koolan Island project 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.

The orebodies are tabular, 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 lower grade satellite pits has produced 40% lump 60% fines product.

The acquisition by Mount Gibson of Aztec in February 2007 enabled the Koolan Island project to be fully funded and major infrastructure works to be substantially completed. The operation achieved its first iron ore shipment to China in June 2007.

Mount Gibson completed its first full year of production in the 2007/08 financial year from Koolan Island in which ore sources were established, mine development and infrastructure enhanced and facilities elevated to required capacity. Initial production from Koolan Island is sourced from Eastern, Barramundi, Acacia and Mullet Pits whilst preparatory access works are completed at Main Pit prior to the cut back and eventual production from this high grade premium ore source. Initial development of the satellite ore sources was established during the year and multiple stages of current ore sources commenced. The initial development of Eastern, Barramundi, Acacia and Mullet pits has allowed productivity to improve as bench areas are expanded. Main West, an extension to the Main Pit, also commenced during the 2007/08 year and will form part of the stage one cut back from Main Pit. Cut backs of the southern wall of Main Pit in the Crusher Hill and Blinker Hill areas also commenced during the year providing fill material for Main Pit seawall construction.

As a result of customer offtake defaults, in November 2008, Mount Gibson announced to ASX that it has temporarily suspended development activities at the main pit of Koolan Island and expects to recommence development in July 2009. This will defer the commencement of ore mining from Main Pit for a minimum of 6 months. However, sufficient ore is available within Mount Gibson's satellite deposits at Koolan Island to continue producing saleable product during this delay.

At the forecast sales rate of 3.5 Mtpa (sales ramps up to this rate over the period to the June 2010 quarter), and based on existing Ore Reserves, production is expected to continue for at least 9 years to 2017 with potential to substantially increase resources as a consequence of the planned exploration drilling to be undertaken over the next 2 to 3 years.

On 13 November 2008, Mount Gibson announced to ASX that it had reached in principle agreement with the Dambimangari native title group for exploration of the western iron ore targets at Koolan Island, subject to entering into a Heritage Protection and Exploration Agreement with the Dambimangari native title group.

10.4 Extension Hill Hematite

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 DFS evaluated multiple operating options with related costs, timing and risks. The study demonstrated that the project will provide strong financial returns in a short time-frame, with minimal technical risks and relatively low capital requirements.

Development and construction commenced in October 2007 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 some construction activities at Extension Hill will be deferred, whilst commencement of ore production is rescheduled to the March 2010 quarter. All contracts with key suppliers have been retained and no material delay penalties will be incurred. While no definitive estimate has been made, Mount Gibson management expect that the capital costs for completion of the DSO Project will be A\$5 million to A\$10 million higher than expected prior to the deferment of activities.

The DSO Project will have 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. Construction of the rail unloading facility is expected to commence in the June 2009 quarter.

On 24 October 2007, then WA Environment Minister Templeman issued Ministerial Statement 753, thereby finalising State government environmental approval of the Mt Gibson Iron Ore Mine and Infrastructure Project (of which the DSO Project forms part). On 18 December 2007 Commonwealth government approval for the DSO Project was received.

Environmental Management Plans (**EMPs**) for the DSO Project required by Ministerial Statement 753 were submitted to the Department of Environment and Conservation and Environmental Protection Authority (**EPA**). The EPA recently confirmed acceptance of the EMPs and State approval of the EMPs has now been received. Federal approval was received on 3 October 2008. Various other regulatory approvals are now progressing as a consequence of receipt of EMP State and Federal approval.

An application to transport processed hematite ore from the Extension Hill mine site to Mount Gibson's facilities at Geraldton Port was lodged with the EPA (**Transportation Proposal**). The Transportation Proposal was advertised during the June 2008 quarter and two submissions/objections were received from the public with one objection being withdrawn. The other objection has been dismissed by the Minister for Environment and the Appeals Convenor is assisting the Minister to reach a final decision on the proposal.

10.5 Existing offtake agreements

Until November 2008, Mount Gibson 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 and Koolan Island. Those contracts provided for Mount Gibson to sell ore at prices determined by reference to the Hamersley Benchmark Iron Ore Price. Three of those customers defaulted on their binding obligations by failing to collect shipments or ore they were scheduled to take in October and November 2008. Consequently, Mount Gibson terminated their agreements, at the same time reserving its right to claim damages against those customers for breach of contract. In addition, another customer has defaulted on its binding obligations by failing to collect one shipment. Mount Gibson has sought to keep that contract on foot and will seek compensation for damages it has suffered.

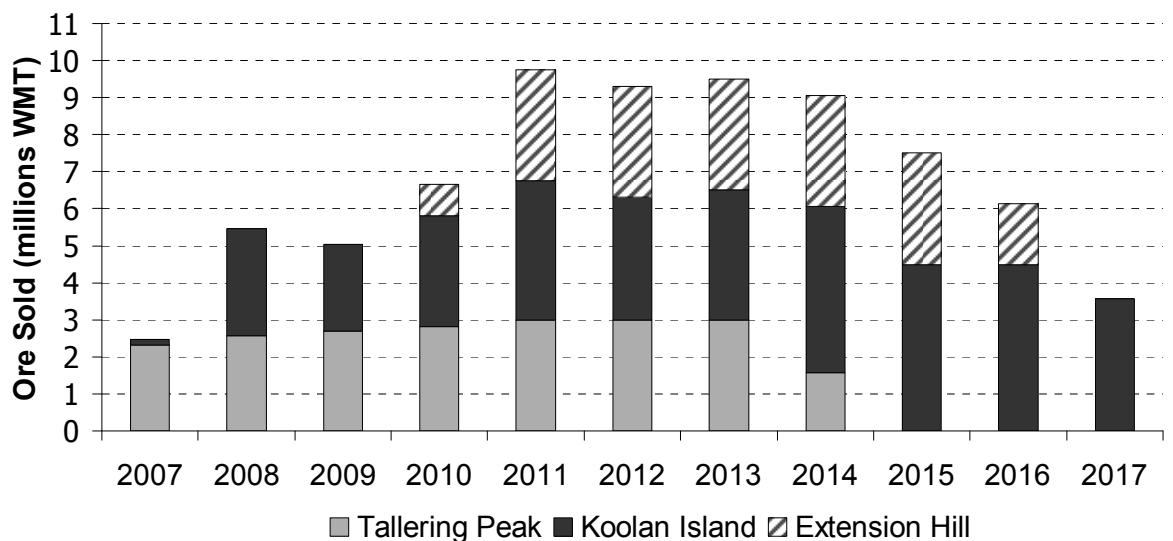
Mount Gibson was able to reach an acceptable accommodation with a further two customers in regards to shipments scheduled for the fourth quarter of 2008. As a result of that accommodation, and in the absence of any further agreement between Mount Gibson and those customers, the terms of those offtake agreements continue to apply (including the obligation on those customers to purchase their agreed proportion of production at benchmark prices from the start of the first quarter of 2009).

In addition to the Offtake Agreements, Mount Gibson has entered into Short Term Offtake Agreements with each of APAC and Shougang Concord. Under those agreements, Mount Gibson will sell to each of APAC and Shougang Concord 50% of Available Production during November and December 2008 at US\$40 per wet metric tonne.

10.6 Forecast Sales Profile

As a result of shipping delays, customer defaults announced in October and November 2008, the new offtake arrangements and the need to modify mine plans at both Koolan Island and Talling Peak, Mount Gibson has revised its iron ore shipment forecast for the 2008/2009 financial year to 5.0 million tonnes from the original 7.2 million tonnes. Mount Gibson advises that this, together with ore prices received for the remainder of the financial year at a discount to benchmark, will have a material negative impact on Mount Gibson's profitability in the current financial year.

Figure 5: Revised estimated production schedule



10.7 Ore Reserves and Mineral Resources

Set out below is Mount Gibson's latest JORC compliant statement of Ore Reserves and Mineral Resources as at 30 June 2008:

Table 2: Reserves

	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
KOOLAN ISLAND					
Proved	1.43	63.2	7.40	1.18	0.020
Probable	27.9	63.7	6.22	1.01	0.016
Total	29.4	63.7	6.28	1.02	0.017
TALLERING PEAK					
Proved	12.0	62.3	4.57	2.37	0.025
Probable	2.61	58.4	7.69	3.51	0.029
Total	14.6	61.6	5.13	2.57	0.026
EXTENSION HILL					
Proved	0	0	0	0	0
Probable	12.84	60.3	5.48	1.64	0.062
Total	12.8	60.3	5.48	1.64	0.062
TOTAL	56.8	62.4	5.80	1.56	0.029

Table 3: Resources

	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
KOOLAN ISLAND					
Measured	1.45	63.0	7.56	1.19	0.020
Indicated	49.4	62.9	8.06	0.974	0.017
Inferred	18.3	62.6	8.37	0.926	0.017
Total	69.1	62.8	8.13	0.966	0.017
TALLERING PEAK					
Measured	12.2	63.1	3.98	2.18	0.026
Indicated	3.91	59.3	7.22	3.01	0.053
Inferred	1.08	56.1	12.1	4.67	0.065
Total	17.2	61.8	4.95	2.49	0.033
EXTENSION HILL					
Measured	0	0	0	0	0
Indicated	12.8	60.0	5.36	1.75	0.064
Inferred	6.69	59.6	6.76	1.77	0.056
Total	19.5	59.9	5.84	1.76	0.060
Total	105.8	62.1	7.19	1.36	0.028

Notes: Reserves exclude ore and product stocks.

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

Attributions

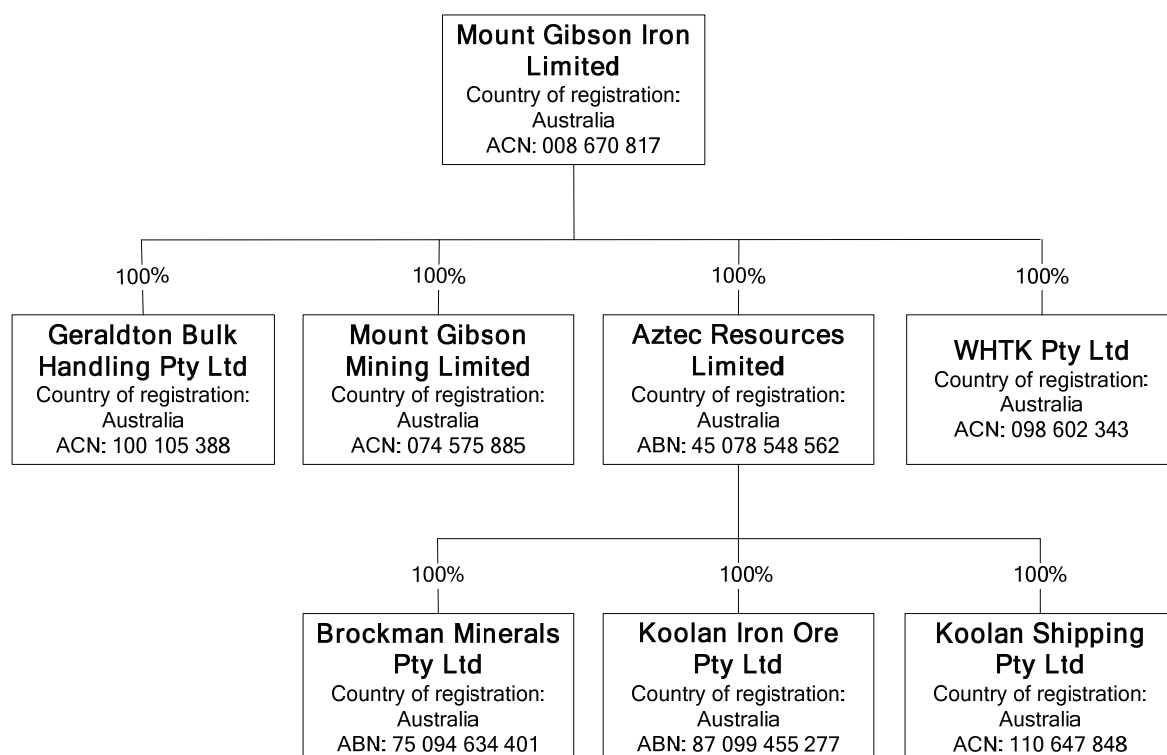
The information in tables 2 and 3 above relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience relevant to the styles 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 tables 2 and 3 above in this Prospectus based on his information in the form and context in which it appears.

The information in tables 2 and 3 above 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 tables 2 and 3 above in this Prospectus based on their information in the form and context in which it appears.

10.8 Corporate structure and ownership

(a) Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity of the Mount Gibson group of companies. The structure of the Mount Gibson group as at 30 June 2008 is as follows:



(b) Ownership

As at 3 December 2008, Mount Gibson has only one substantial Shareholder, APAC. APAC currently holds 164,148,144 Shares, or 20.41%, through various subsidiaries and nominees.

For further details on Mount Gibson's capital structure and the effect of the Rights Issue and the Placement on Mount Gibson, please refer to Section 11.

10.9 Financial position

(a) Introduction

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Rights Issue, including details of the potential financial impact of the Transaction.

All information in this section assumes that the Transaction (which includes the Rights Issue, the Underwriting and the Placement) took place on 30 September 2008. To the extent that the actual acquisition date varies, information presented may vary considerably.

The pro forma financial information should be read in conjunction with the limitations explained in the 'Regulatory Information' statement contained within the Important Notices section of this Prospectus.

All financial information is presented in accordance with the measurement and recognition principles under AIFRS unless otherwise noted.

The impact of the Rights Issue, Underwriting and Placement is an increase in cash of approximately A\$158 million. The use of funds from the Transaction is discussed in section 6.3.

Shareholders should note that:

- the iron ore prices under the short term and medium term Offtake Agreements are materially below current Hamersley Benchmark Iron Ore Prices and will have a material negative impact on the profitability of Mount Gibson for the year ended 30 June 2009. The prices under the long term Offtake Agreements are however tied to Hamersley Benchmark Iron Ore Prices;
- the Offtake Agreements will not, of themselves, affect Mount Gibson's balance sheet. However, Mount Gibson believes that Shareholder approval at the Meeting of the Offtake Agreements, the Underwriting and the Placement, together with the resolution of firm offtake for 100% of Available Production, will be necessary to allow Mount Gibson to retain the current debt, bond and FX Facilities. Without the Shareholder approval and offtake resolution, those debt, bond and FX Facilities would likely require refinancing, which might have a material negative impact on the balance sheet; and
- the pro forma balance sheet does not contain any adjustments to the amounts or clarification of recorded assets or liabilities that might be necessary if Mount Gibson is unable to continue as a going concern, which, as discussed in this Prospectus (and in particular in section 13.3(a)), may occur if the Offtake Agreements, Underwriting and Placement are not approved by Shareholders.

(b) **Pro forma balance sheet**

Set out below is the audited balance sheet for Mount Gibson at 30 June 2008, unaudited balance sheet at 30 September 2008 and pro forma balance sheet as at 30 September 2008.

Table 1: Pro forma balance sheet

	June 2008 (A\$000's)	September 2008 (A\$000's)	Pro forma Adjustment (A\$000's)	Pro forma Balance Sheet (A\$000's)
CURRENT ASSETS				
Cash and Deposits	48,658	126,588	157,824	284,412
Receivables	83,436	45,078		45,078
Inventories	71,448	91,306		91,306
Foreign Exchange Hedging Gain	25,161	385		385
Prepayments	1,570	4,174		4,174
Total Current Assets	230,273	267,531	157,824	425,355
NON-CURRENT ASSETS				
Trade and Other Receivables	1,000	0		0
Available for sale assets	1,113	1,487		1,487
Property, Plant & Equipment	188,497	240,683		240,683
Mine Properties	447,235	433,993		433,993
Deferred Acquisition and Exploration Expenditure	25,919	35,735		35,735
Total Non-Current Assets	663,764	711,898		711,898
Total Assets	894,037	979,429	157,824	1,137,253
CURRENT LIABILITIES				
Trade Creditors & Accruals	73,406	72,349		72,349
Provisions	1,880	2,383		2,383
Leases & HP Contracts	12,415	15,566		15,566
Foreign Exchange Hedging Loss	342	62,247		62,247
Total Current Liabilities	88,043	152,545		152,545
NON-CURRENT LIABILITIES				
Interest Bearing Loans and borrowings	145,858	164,319		164,319
Provisions	19,112	19,120		19,120
Deferred Tax Liability	44,532	71,120		71,120
Total Non-Current Liabilities	209,502	254,559		254,559
Total Liabilities	297,545	407,104		407,104
NET ASSETS	596,492	572,325	157,824	730,149
SHAREHOLDERS EQUITY				
Issued Capital	397,197	397,639	157,824	555,463
Accumulated (Profits)	171,205	231,592		231,592
Reserves	28,090	(56,906)		(56,906)
TOTAL SHAREHOLDERS EQUITY	596,492	572,325	157,824	730,149

Table 2: Pro forma adjustments – cash and deposits

	A\$000's
Proceeds from Rights Issue	96,523
Underwriting fees	(3,379)
Net proceeds from Rights Issue	93,144
Proceeds from Share Placement	66,000
Other transaction costs	(1,320)
Net Increase in Cash	157,824

Table 3: Pro forma adjustments – issued capital

	Shares (000's)	A\$000's
Shares on issue at 30 September 2008	804,356	397,639
Shares to be issued under Rights Issue	160,871	96,523
Underwriting fees		(3,379)
Net proceeds from Rights Issue	965,227	490,783
Proceeds from Share Placement	110,000	66,000
Other transaction costs		(1,320)
Total	1,075,227	555,463

Transaction costs include advisory, legal, independent expert and printing costs as follows:

Table 4: Transaction costs

	A\$000's
Advisory fees	500
Legal fees	500
Independent Expert	170
Printing / EGM	150
Total	1,320

Notes to the Pro Forma Balance Sheet

The balance sheet at 30 June 2008 is as per the audited financial statements and annual report. There have been no changes in accounting policy since 30 June 2008.

Mount Gibson loan facilities

Mount Gibson entered into loan facilities with HSBC Australia Ltd and National Australia Bank Ltd on 28 August 2007 and drew down on these facilities on 6 September 2007. The facilities include a A\$200 million corporate facility which is presently drawn to A\$105 million together with a A\$25 million contingent finance (bond) facility. The lenders also provide Mount Gibson with foreign exchange and interest rate hedging products (forward and option contracts) as discussed further below, which involve provision of additional credit. Mount Gibson will require an additional A\$35 million in contingent finance (bond) facilities to support completion of the Extension Hill project. These are largely required for guarantees to rail contractors as well as environmental bonds required by the WA Government.

Foreign currency hedging arrangements

Mount Gibson 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\$. Mount Gibson uses derivative

financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of these forecast sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings attributable to changes in the US\$/A\$ exchange rate and to protect against undue adverse movements in these rates. The hire purchase liabilities for the mining equipment at Koolan Island are denominated in US\$.

Consistent with both company policies and minimum bank mandated hedging requirements, Mount Gibson has entered into foreign exchange forward contracts to cover approximately 40% of its budgeted US\$ exposure over the combined 2008/2009 and 2009/2010 financial years.

As at 1 November 2008, Mount Gibson has outstanding forward contracts for:

- US\$375 million at an average rate of 0.8824 per US\$ due to expire in the 2008/2009 financial year; and
- US\$185 million at an average rate of 0.8109 per US\$ due to expire in the 2009/2010 financial year.

Mount Gibson's lenders have agreed to roll forward excess US dollar forward contracts for November and December 2008 to January 2009 and have expressed a willingness to consider rolling forward excess foreign exchange forward contracts beyond January 2009 once the new offtake arrangements are in place and the Rights Issue and Placement have been completed. This will reduce Mount Gibson's potential obligation to cash settle any forward contracts not needed for coverage of monthly operational US\$ income. Although Mount Gibson anticipates the ongoing support of its lenders, there is no commitment at this stage from them to roll existing foreign exchange hedges forward beyond January 2009. However, Mount Gibson considers that the proceeds from the Rights Issue and Placement will adequately cover any cash required (see section 6.3).

Mount Gibson recognises derivative financial instruments at fair value at the date the derivative contract is entered into. Mount Gibson 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(aa) to the Consolidated Financial Report for the year ended 30 June 2008. The pro forma balance sheet at 30 September 2008 above does not take into account any adjustments as a result of rolling forward up to US\$180 million of the foreign exchange hedge position (which Mount Gibson is seeking to agree with its financiers) as described above, as under the accounting standards they will not qualify as 'effective hedges' under hedge accounting. Therefore, an accounting mark-to-market loss of approximately A\$75 million pre-tax (A\$53 million post-tax) will be required⁴. Any such adjustment will be reflected in the 31 December 2008 financial statements.

Interest rate hedging arrangements

Mount Gibson's exposure to market interest rates relates primarily to its long-term debt obligations.

Mount Gibson's policy is to manage its interest costs using a mix of fixed and variable rate debt, and to have 70% of its borrowings at fixed rates of interest. The Company has entered into interest rate swaps, in which the Company 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 corporate debt facility of Mount Gibson as at 21 November 2008 bears an interest rate of 8.75%. In order to protect against rising interest rates, the Company has entered

⁴ Based on mark-to-market liability calculated as at 20 November 2008 using a spot Australian dollar : US dollar exchange rate of 0.6348.

into interest rate swap contracts under which it has a right to pay fixed interest at fixed rates. Swaps in place cover approximately 71 percent of the principal outstanding and will expire on 30 June 2010. The fixed interest rates range between approximately 7.0% and 8.1% and the variable rate is 1.5% above the 90 day bank bill rate.

The interest rate swaps require settlement of net interest payable in 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 effective. They are settled on a net basis.

(c) **Management commentary on historical and proforma results**

Mount Gibson's historical audited consolidated financial results for each of the two years ended 30 June 2007 and 2008 and historical unaudited financial result for the three months ended 30 September 2008 are summarised in the table below.

Summary of Mount Gibson's historical consolidated financial performance

	Audited Year ended 30 June 2007 \$000	Audited Year ended 30 June 2008 \$000	Unaudited 3 months ended 30 Sept 2008 \$000
Revenue from sale of ore	156,020	409,349	162,282
Realised gain on foreign exchange hedges	6,728	23,325	4,639
Cost of sales	(108,955)	(244,635)	(73,010)
Gross profit	53,793	188,039	93,911
Other income ¹	2,805	3,881	2,100
Administrative expenses	(13,020)	(15,030)	(5,791)
Exploration expenditure written off	(8)	(38)	-
Impairment of available-for-sale financial assets	(1,506)	-	-
EBIT	42,064	176,852	90,220
Net financing revenue/(expense)	189	(12,995)	(3,246)
Profit before income tax	42,253	163,857	86,974
Income tax expense	(13,209)	(50,513)	(26,588)
Net profit after tax	29,044	113,344	60,386
Profit from discontinued operations after income tax	18,721	-	-
Net profit after tax attributable to members of the Company	47,765	113,344	60,386
<i>Revenue growth² - %</i>	<i>112.6%</i>	<i>162.4%</i>	<i>n/a⁵</i>
<i>EBIT margin³ - %</i>	<i>27.0%</i>	<i>43.2%</i>	<i>55.6%</i>
<i>NPAT margin³ - %</i>	<i>18.6%</i>	<i>27.7%</i>	<i>37.2%</i>
<i>Basic earnings per share - cents⁴</i>	<i>7.5</i>	<i>14.3</i>	<i>7.5</i>
<i>Closing share price - \$</i>	<i>1.34</i>	<i>3.12</i>	<i>1.64</i>
<i>Notes</i>			
1	Other income excludes interest revenue.		
2	Revenue growth relates to revenue from sale of ore		
3	EBIT is earnings from continuing operations before net interest and tax. NPAT is net profit after tax. EBIT margin is calculated as EBIT divided by revenue from sale of ore. NPAT margin is calculated as NPAT divided by revenue from sale of ore.		
4	Basic earnings per share for the three months ended 30 September 2008 is based on the number of shares on issue as at 30 September 2008.		
5	n/a means not applicable as revenue from sale of ore is for three months only (and not for an entire 12 month period).		

Comments in relation to Mount Gibson's historical financial performance are set out below:

Year ended 30 June 2007

Mount Gibson achieved a net profit after tax from continuing operations of approximately A\$29.0 million, compared to approximately A\$21.6 million in the prior year, an increase of approximately 34 percent. The total net profit after tax including the sale of discontinued operations for the year ended 30 June 2007 was A\$47.8 million.

Revenue from the sale of ore increased by approximately A\$82.6 million or 113 percent to approximately A\$156.0 million. Shipments were up 78 percent on the previous year. The benchmark price for iron ore, both lump and fines, increased by 19 percent for the contract year commencing 1 April 2006 and a further price increase of 9.5 percent for the contract year commencing 1 April 2007.

On 17 November 2006, Mount Gibson sold its 73 percent interest in Asia Iron Holdings Ltd to Sinom. The profit from sale of these discontinued operations was A\$18.7 million in the year ended 30 June 2007.

On 24 July 2006, Mount Gibson announced its intention to acquire Aztec Resources Ltd (**Aztec**). The Company gained effective control of Aztec on 30 November 2006 and completed compulsory acquisition of the remaining Aztec shares on 9 February 2007.

Year ended 30 June 2008

Mount Gibson achieved a record net profit after tax of approximately A\$113.3 million, an increase of approximately A\$65.5 million or 137 percent on the prior year.

The earnings increase was primarily due to record sales revenue from ore of approximately A\$409.3 million. The following contributed to the increased sales revenue:

- ore production up 97 percent to 6.9 Mt. Contributing to this was Koolan Island production ramping up and the project completing its first full year of production;
- record iron ore shipments, an increase of 122 percent on the previous year; and
- the increase in benchmark prices for iron ore, with lump prices increasing by 96.5 percent and fines prices increasing by 79.9 percent, effective from 1 April 2008.

Interest expense increased significantly due to Mount Gibson drawing down on a debt facility arranged by HSBC Australia Ltd (**HSBC**) and National Australia Bank Ltd (**NAB**) to provide additional debt funding for the Koolan Island and Extension Hill iron ore developments. The facility documentation was signed on 28 August 2007 with drawdown on 6 September 2007.

In the 2008 Annual Report, Mount Gibson stated that it achieved the strong results within a challenging environment – both regional and industry-wide – with increased pressure on input costs, onerous contractual obligations, scarcity of intellectual and human capital, infrastructure constraints in the Mid West and a debilitating State mining approvals process.

Three months ended 30 September 2008

The first quarter results reflect continued strong operational performance and strong iron ore sales, underpinned by record benchmark prices for iron ore, which took effect from 1 April 2008. Although Mount Gibson performed strongly for the first quarter there was not a corresponding increase in net assets which can be largely attributed to a negative movement in the fair value of the cash flow hedges. This movement in the cash flow hedge was principally charged to equity rather than recognised in the profit and loss in accordance with accounting policy applied by Mount Gibson.

Summary of Mount Gibson's historical consolidated Balance Sheet

Mount Gibson's historical audited consolidated net assets as at each of 30 June 2007 and 2008 and its unaudited consolidated net assets as at 30 September 2008 are summarised below:

	Audited 30 June 2007 \$000	Audited 30 June 2008 \$000	Unaudited 30 Sept 2008 \$000
Cash and cash equivalents	60,798	48,658	126,588
Trade & other receivables	9,848	83,436	45,078
Inventories	34,581	71,448	91,306
Prepayments	1,049	1,570	4,174
Derivative financial assets	5,065	25,161	385
Total current assets	111,341	230,273	267,531
Receivables	-	1,000	-
Available for sale financial assets	1,805	1,113	1,487
Property, plant and equipment	187,768	188,497	240,683
Deferred acquisition, exploration, evaluation and development costs	9,027	25,919	37,756
Mine properties	370,684	447,235	431,972
Deferred income tax assets	11,875	-	-
Total non-current assets	581,159	663,764	711,898
TOTAL ASSETS	692,500	894,037	979,429
Trade & other payables	64,314	73,406	72,349
Interest-bearing loans & borrowings	98,754	12,415	15,566
Derivative financial liabilities	-	342	62,247
Provisions	1,172	1,880	2,383
Total current liabilities	164,240	88,043	152,545
Provisions	18,470	19,112	19,120
Interest-bearing loans & borrowings	55,481	145,858	164,319
Deferred income tax liabilities	-	44,532	71,120
Total non-current liabilities	73,951	209,502	254,559
TOTAL LIABILITIES	238,191	297,545	407,104
NET ASSETS	454,309	596,492	572,325
Number of shares on issue – 000s	787,787	803,841	804,256
<i>Net asset backing per share - \$</i>	<i>0.58</i>	<i>0.74</i>	<i>0.71</i>

The significant net increase in cash and cash equivalents over the three months to 30 September 2008 reflects principally:

- the receipt of A\$55 million in debtors as at 30 June 2008; and
- the operating result for the months July to September 2008.

Trade and other receivables comprises principally trade receivables of approximately A\$38 million plus other receivables including GST receivable. Trade receivables includes an amount of A\$4.6 million which is currently in dispute. Mount Gibson is confident of recovery of this amount in full.

Derivative financial liabilities includes:

- the fair value of foreign exchange contracts. In this regard, a mark-to-market valuation of Mount Gibson's Australian dollar to US dollar hedge book was calculated by external advisers as at 30 September 2008. The tax effect of this derivative financial liability has not been brought to account in the 30 September 2008 balance sheet. Further details on Mount Gibson's hedge book are discussed in the notes to the pro forma balance sheet in section 10.9(b) above;

- an amount in relation to Mount Gibson's exposure in respect of interest rate swaps; and
- derivative financial assets relates to the reverse side of the fair value of interest rate swaps both of which will be unwound over their life.

Interest bearing loans and borrowing consists of approximately A\$105 million corporate debt (in relation to the HSBC and NAB debt facility referred to above) and the balance relates to finance lease liabilities and hire purchase arrangements. In addition, Mount Gibson has drawn A\$24.7 million in performance bonds under this facility.

Summary of cash flow statements

Mount Gibson's audited consolidated cash flows for each of the two years ended 30 June 2007 and 2008 are summarised below.

	Audited Year ended 30 June 2007 \$000	Audited Year ended 30 June 2008 \$000
Cash flows from operating activities		
Receipts from customers	154,441	357,139
Payments to suppliers and employees	(144,931)	(299,319)
Interest paid	(6,420)	(12,067)
Net cash flows provided by operating activities	3,090	45,753
Cash flows from investing activities		
Interest received	2,644	2,410
Proceeds from disposal of controlled entity, net of cash disposed	50,354	-
Payment for costs associated with acquisition of controlled entity	-	(14,131)
Net cash acquired on acquisition of controlled entity	3,652	-
Proceeds from sale of property, plant and equipment	3,767	684
Purchase of property, plant and equipment	(36,834)	(19,118)
Payment for deferred exploration and evaluation expenditure	(4,578)	(14,911)
Payment for mine properties	(37,594)	(18,102)
Proceeds from disposal of / (purchase of) available-for-sale financial assets	295	(168)
Purchase of convertible note receivable	-	(1,000)
Loans from/(to) other entities	(280)	236
Net cash flows used in investing activities	(18,574)	(64,100)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	2,010	10,367
Proceeds from borrowings	73,404	105,000
Repayment of lease liabilities	(6,529)	(17,057)
Repayment of borrowings	-	(87,095)
Payment of borrowing costs	-	(5,008)
Net cash flows provided by financing activities	68,885	6,207
Net increase/(decrease) in cash held	53,401	(12,140)
Cash and cash equivalents at the beginning of the year	7,397	60,798
Cash and cash equivalents at the end of the period	60,798	48,658

Taxation

The Company and its 100 percent 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 on a group allocation approach. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Mount Gibson Iron Limited.

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 Ltd. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Revenue tax losses

As at 30 June 2008, Mount Gibson estimated that the Company had tax losses of approximately A\$177 million representing a potential future income tax benefit of approximately A\$53 million which has been recognised as an asset for accounting purposes.

Capital tax losses

In its tax return for the year ended 30 June 2007, Mount Gibson had capital tax losses of approximately A\$0.5 million. There is no material change expected to this amount as at 30 June 2008. No foreseeable taxable capital gains are expected by Mount Gibson to be realised, against which these capital tax losses could be absorbed.

Franking credits

Mount Gibson has been advised that it currently has no franking credits available to it.

Contingent liabilities

The corporate debt banks have provided a controlled entity subsidiary with performance bonds totalling A\$24.7 million relating to performance of environmental obligations and rail upgrades.

10.10 Dividend history

No dividends have been paid by Mount Gibson since it was listed on the ASX. The Mount Gibson dividend policy will be reviewed annually by the Mount Gibson Board having regard to any requirements imposed by Mount Gibson's banking syndicate.

10.11 Directors

(a) Current directors

The directors of Mount Gibson as at the date of this Prospectus are:

- Neil Hamilton – Chairman, Independent Non-Executive Director;
- Luke Tonkin – Managing Director;
- Craig Readhead – Independent Non-Executive Director;
- Ian Macliver – Independent Non-Executive Director;
- Alan Jones – Non-Executive Director; and
- Cao Zhong – Non-Executive Director.

Mr Jones is also a director of APAC.

Mr Cao Zhong has been nominated by APAC as its nominee on the Mount Gibson Board as part of the Transaction. Mr Cao, aged 49, 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 Masters Degree in Economics. Mr Cao is assistant general manager of Shougang Corporation and the Managing Director of Shougang Concord. 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 SHHKL. He is also the chairman of each of Shougang Concord Technology Holdings Limited and Shougang Concord Century Holdings Limited and the vice chairman and managing director of Shougang Concord Grand (Group) Limited. Mr Cao has extensive experience in corporate management and operations.

Mr Alan Rule is an Alternate Director to Mr Tonkin and is also Chief Financial Officer.

(b) Proposed new Director

(1) Shougang Concord nominee

Following the execution of the Shougang Concord Offtake Agreement, completion of the Rights Issue and the Underwriting and completion of the Placement, Shougang Concord will be entitled to appoint a nominee to the Mount Gibson Board, to reflect the new shareholder base of Mount Gibson.

Shougang Concord will nominate Mr Chen Zhouping to be appointed to the Mount Gibson Board. Mr Chen Zhouping, aged 42, is a graduate from School of Economics and Management, Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr Chen was appointed as Deputy Managing Director of Shougang Concord in November 2002. He was also appointed as Deputy Managing Director of SHHKL in November 2001. He has extensive experience in the steel industry, engineering design, human resources and management.

(2) Mount Gibson Board composition post the Rights Issue

Following the appointment described in (1) above, the Mount Gibson Board will include Mr Alan Jones (who is also an APAC director), Mr Cao Zhong (a nominee of APAC), and Mr Chen Zhouping (a nominee of Shougang Concord).

The other Directors on the Mount Gibson Board are not associated with APAC or Shougang Concord.

11 Impact on Mount Gibson's capital structure and level of control

The following table outlines Mount Gibson's current capital structure and voting power of Mount Gibson's substantial Shareholders:

Table 4: Capital structure and voting power – pre Rights Issue and Placement (undiluted)

	# of Shares	%
APAC	164,148,144	20.41%
Other Shareholders	640,207,677	79.59%
Total	804,355,821	100.0%

11.1 Impact of the Rights Issue and Underwriting

The effect of the Rights Issue on Mount Gibson's capital structure will be that the issued capital of Mount Gibson will increase from 804,355,821 Shares to approximately 965,226,985 Shares.

If the Rights Issue is fully subscribed for by Shareholders (or third parties who purchase Rights during the Rights Trading Period), upon completion of the Rights Issue and before the Placement, APAC's shareholding in Mount Gibson will remain at 20.41%.

If all Shareholders (or third parties who purchase Rights during the Rights Trading Period) do not take up all of their Rights under the Rights Issue, there will be a Shortfall. APAC has agreed to subscribe for all of its Rights issued in respect of Shares held as at the date of the APAC Heads of Agreement and for up to the first 82,900,000 Shortfall Shares. This will increase APAC Group's shareholding in Mount Gibson to approximately 29% before the Placement (if the Shortfall is equal to or higher than the 82,900,000 Shortfall Shares).

If there are more than 82,900,000 Shortfall Shares, Shougang Concord has agreed to subscribe for the balance, subject to a maximum of 50,000,000 Shortfall Shares. This will give Shougang Concord a shareholding in Mount Gibson of approximately 4.68% before the Placement, should no other Shareholders (or third parties who purchase Rights during the Rights Trading Period), take up their Rights.

11.2 Impact of the Placement

Shougang Concord has agreed to subscribe for and Mount Gibson has agreed to issue 110,000,000 New Shares, or approximately 10.23% of Mount Gibson (post the Rights Issue and Placement). The aggregate effect of Shougang Concord taking up the Shougang Concord Underwriting Commitment and the Placement is that Shougang Concord will have a shareholding in Mount Gibson of approximately 14.43% and APAC's shareholding will be diluted to 26.03% if no other Shareholders (or third party purchasers) take up their Rights.

The effect of the Placement on Mount Gibson's capital structure will be that the issued capital of Mount Gibson will increase from 965,226,985 Shares by 110,000,000 Shares to approximately 1,075,226,985 Shares.

11.3 Combined impact of the Rights Issue and the Placement

As detailed in section 6.7 of this Prospectus, notwithstanding that APAC and Shougang Concord do not consider that they are associates, given the shareholding of SHHKL in both APAC and Shougang Concord, the fact that there is one common director between APAC and Shougang Concord and the Takeovers Panel Decision, Mount Gibson is of the view that APAC and Shougang Concord may be associates for the purposes of the Corporations Act. If that were the case, APAC and Shougang Concord are each taken to have voting power in Mount Gibson that includes shares held by them, and held by the other entity. On this basis, upon:

- APAC taking up all of its Rights issued in respect of Shares held as at the date of the APAC Heads of Agreement (and assuming no other Shareholders (or third parties who purchase Rights during the Rights Trading Period) take up their Rights;
- APAC and Shougang Concord each subscribing for their full respective Underwriting Commitments; and
- Shougang Concord being issued 110,000,000 New Shares pursuant to the Placement,

each of APAC and Shougang Concord will have voting power in Mount Gibson of 40.46%.

The table below shows the major shareholdings in Mount Gibson following completion of the fully subscribed Rights Issue and the Placement:

Table 5: Major shareholdings post Rights Issue and Placement (undiluted) – fully subscribed

	# of Shares	%
Shougang Concord	110,000,000	10.23%
APAC	196,977,773	18.32%
Other Shareholders	768,249,212	71.45%
Total	1,075,226,985	100.0%

The table below shows the major shareholdings in Mount Gibson following completion of the Rights Issue (assuming no Shareholders take up their Rights, and these are not taken up by third parties) and the Placement:

Table 6: Major shareholdings post Rights Issue and Placement (undiluted) – no subscriptions

	# of Shares	%
Shougang Concord	155,141,535	14.43%
APAC	279,877,773	26.03%
Other Shareholders	640,207,677	59.54%
Total	1,075,226,985	100.0%

The tables below illustrate the respective interests of APAC and Shougang Concord under various scenarios:

Table 7: APAC and Shougang Concord holdings post Transaction – Underwriting and Placement approved

	APAC Holding	Shougang Concord Holding	Combined APAC / Shougang Concord Holding (if they are considered associates)
Outcome			
0% of Rights taken up	26.03%	14.43%	40.46%
10% of Rights taken up	26.03%	13.24%	39.27%
30% of Rights taken up	26.03%	10.86%	36.89%
70% of Rights taken up	21.89%	10.23%	32.12%
100% of Rights taken up	18.32%	10.23%	28.55%

Table 8: APAC and Shougang Concord holdings post Transaction – Underwriting and Placement voted down

	APAC Holding	Shougang Concord Holding	Combined APAC / Shougang Concord Holding (if they are considered associates)
Outcome			
0% of Rights taken up	23.53%	0.00%	23.53%
10% of Rights taken up	23.17%	0.00%	23.17%
30% of Rights taken up	22.50%	0.00%	22.50%
70% of Rights taken up	21.25%	0.00%	21.25%
100% of Rights taken up	20.41%	0.00%	20.41%

12 Corporate governance

12.1 Director protocols

The Board has adopted a high standard of corporate conduct and governance. In order to ensure that the Directors continued to comply with their corporate governance obligations, in November 2007 the Board expanded the role of its Nomination and Remuneration Sub-Committee to include corporate governance issues. The expanded Nomination, Remuneration and Governance Sub-Committee is responsible for, amongst other things, reporting and making recommendations to the Board on Mount Gibson's corporate policies. It is also responsible for ensuring that procedures and policies exist to effectively deal with conflicts of interests at Board level.

To this end, the Board has adopted a Conflicts of Interest policy to address circumstances where a Director's interests or other duties may affect their decision-making as a Director, or may be affected by a decision of Mount Gibson.

The policy essentially reinforces each Director's legal duties and obligations by establishing a protocol under which each Director is required to disclose certain interests and advise the Board in circumstances where a potential conflict of interest arises. The policy also sets out the procedures to be followed where the Chairman of the Board determines that a Director's interest in a matter is sufficiently material or would result in a conflict of interest occurring.

12.2 Corporate governance and Board independence from completion of the Transaction

APAC and Shougang Concord have each agreed to comply with all applicable laws and the ASX Listing Rules in relation to any dealings between Mount Gibson and APAC and between Mount Gibson and Shougang Concord and procure that their nominee directors do the same, including:

- obtaining any Shareholder approvals for transactions between Mount Gibson and Shougang Concord or APAC (or their associates), where required by any applicable law or the ASX Listing Rules;
- complying with any applicable laws relating to conflicts of interest for directors and to directors' exclusion from voting in relation to matters considered by the Mount Gibson Board;
- ensuring that at all times the composition of the Mount Gibson Board conforms with the ASX's Corporate Governance Principles and Recommendations; and
- in the case of the Shougang Concord or APAC nominee directors, complying with the legal obligations to act in good faith, in the best interests of Mount Gibson, and for the proper purposes, and to have regard to the interests of the Shareholders and Mount Gibson as a whole.

Shougang Concord and APAC have also each agreed with Mount Gibson that all transactions in which Shougang Concord or APAC respectively (or their respective associates) has an interest will either be on arm's length and commercial terms (including any offtake arrangements) or will be approved by independent Shareholders, where required by legislation or the ASX Listing Rules. Such transactions will be approved by the independent directors on the Mount Gibson Board in accordance with any applicable laws relating to conflicts of interest and exclusion of directors from voting.

In addition, as members of the Board, APAC's and Shougang Concord's nominee directors will be bound by the Conflicts of Interest policy described in section 12.1.

13 Risks

Mount Gibson's activities, and therefore an investment in Mount Gibson, are, as with any business, subject to risks that may impact on its future performance.

Shareholders should consider the following summary of risk factors that the Board believes represent some of the general and specific risks associated with Shareholders' decisions on whether to increase their investment in Mount Gibson by taking up their Rights. However, the following summary risk factors are not intended to be an exhaustive list of all the risks to which Mount Gibson is exposed. Additional risks and uncertainties that Mount Gibson is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Mount Gibson's operating and financial performance.

13.1 General risks in subscribing for New Shares

(a) Economic conditions

Economic conditions, both domestic and global, may affect the performance of Mount Gibson.

Adverse changes in matters such as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Mount Gibson and may result in material adverse impacts on the business and its operating results.

(b) Share market conditions

As Mount Gibson is listed on ASX, its Share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, inflation, interest rates, general economic conditions, changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause the Shares to trade below current prices and may affect the income and expenses of Mount Gibson.

Future earnings, asset values, and the relative attractiveness of Shares may be affected by changes in law and government policy in the jurisdictions in which Mount Gibson does or may operate, in particular changes to taxation laws (including stamp duty and GST). In addition, accepting the Offer may involve tax considerations that may differ for each Eligible Shareholder. Each Eligible Shareholder is encouraged to seek professional tax advice in connection with accepting the Offer.

The share prices of many companies have in recent times been subject to large fluctuations which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares. There are risks associated with any investment in shares and there can be no assurance that an active market in the New Shares will develop or that the price of the New Shares will increase.

(c) Government policy

Industry profitability can be affected by changes in government, both within Australia and internationally, that are beyond the control of Mount Gibson.

13.2 General risk factors that may affect Mount Gibson

(a) Counterparty risk

Substantially all of Mount Gibson's revenues and cash flows are derived from the sale of iron ore. Therefore, the financial performance of Mount Gibson is exposed to any failure by counterparties to offtake agreements that Mount Gibson has entered into to comply with the terms of those contracts (including APAC and Shougang Concord). While Mount Gibson would pursue legal remedies if this was to occur, nonetheless this remains a risk to Mount Gibson's business and results of operations could be materially and adversely affected as Mount Gibson may not be able to obtain offtake agreements with alternative customers on similar terms and similar pricing and Mount Gibson's practical ability to recover any losses is limited to the assets of its counterparties. In this regard, it is noted that APAC's balance sheet is less substantial than that of Shougang Concord. This risk is beyond the control of Mount Gibson, although it is noted that if the Transaction is approved APAC and Shougang Concord will each have a significant stake in Mount Gibson and accordingly, their interests will be aligned with those of Shareholders more generally.

(b) Inability to meet debt obligations

Mount Gibson has external debt obligations that need to be met. There is a risk that Mount Gibson may be unable to meet its obligations to repay external debt facilities and may also be unable to comply with other terms and conditions of these facilities if the Transaction is not approved by Shareholders and the other conditions to implementation satisfied or waived. In that circumstance, Mount Gibson may need to realise one or more of its material assets (Koolan Island, Tallering Peak and/or Extension Hill) other than in the ordinary course of business and at values different to those stated in its financial statements. It is unclear whether Mount Gibson's lenders would seek to achieve that outcome through the appointment of a receiver or by working with the existing Board and management.

(c) Resolving defaults under existing offtake agreements

Three of Mount Gibson's customers have defaulted on their legally binding offtake agreements. Mount Gibson has terminated these offtake agreements, reserved its rights against those defaulting customers and will pursue all available remedies to enforce those rights, including by commencing legal proceedings. The resolution of these matters could impose a significant burden on the time that the management of Mount Gibson will have available to devote to the ongoing management of Mount Gibson's operations and counterparties who have had their offtake agreements terminated may claim that the termination is not justified and take proceedings against Mount Gibson. These matters may impose a significant financial cost on Mount Gibson. While Mount Gibson is confident of its legal position in regard to these matters, no assurance can be given that favourable outcomes will be achieved.

(d) Operating and development risk

Mount Gibson's ability to achieve production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured. Mount Gibson's mining operations, as with any other mining operations, are subject to uncertainty with ore tonnes, grade, metallurgical recovery, ground conditions, operational environment, funding for development, regulatory changes, accidents, and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment.

(e) Foreign exchange rate risk

Mount Gibson is an Australian business that reports in Australian dollars. Mount Gibson's revenue is derived from the sale of iron ore in US dollars. However, costs are mainly in Australian dollars therefore movements in the USD / AUD exchange rate and/or the US dollar iron ore price may adversely or beneficially affect Mount Gibson's results of

operations and cash flows. Given the current state of the financial markets, it is particularly difficult to predict movements in the exchange rate and their possible effect on Mount Gibson's financial position.

(f) **Regulatory risks**

The operations of Mount Gibson are subject to various Federal, State and local laws and plans including those relating to mining, prospecting, development, permit and licence requirements, industrial relations, environment, land use, royalties, water, native title and cultural heritage, mine safety and occupational health.

Approvals, licences and permits required to comply with such rules are subject to the discretion of the applicable government or government officials. No assurance can be given that Mount Gibson will be successful in obtaining any or all of the various approvals, licences and permits or maintaining such authorisations in full force and effect without modification or revocation. To the extent such approvals are required and not retained or obtained in a timely manner or at all, Mount Gibson may be curtailed or prohibited from continuing or proceeding with production and exploration.

(g) **Funding risks**

In the ordinary course of operations and development, Mount Gibson will be required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, and to secure statutory and environmental performance undertakings and commercial arrangements. Mount Gibson's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

(h) **Estimates of Ore Reserves and Mineral Resources risks**

The Mineral Resources and Ore Reserves for Mount Gibson's iron ore assets are estimates only and no assurance can be given that any particular recovery level of iron ore will in fact be realised. Mount Gibson's estimates comply with the JORC Code 2004; however Mineral Resources and Ore Reserves are expressions of judgment based on knowledge, experience and industry practice, and may require revision based on actual production experience. Estimates that are valid when made may change significantly when new information becomes available.

(i) **Rising energy and commodity costs**

Mount Gibson will have significant commodity (diesel) requirements and it relies on being able to fulfil those requirements at a cost which does not negatively impact on its cash flows. A number of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar), as well as general global economic conditions and political trends) may lead to an increase in commodity and energy costs which may materially adversely affect Mount Gibson's earnings.

(j) **Insurance related risk**

Mount Gibson currently maintains insurance coverage as determined appropriate by the Mount Gibson Board and its management, but no assurance can be given that Mount Gibson will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims.

(k) **Climate change risk**

Mount Gibson's activities are energy intensive, which makes it a significant emitter of greenhouse gases. The Kyoto Protocol imposes a legally binding obligation on industrialised nations to reduce their greenhouse gas emissions by a combined average of 5% from 1990 levels during the period from 2008 to 2012.

The Australian Federal Government has proposed a national emissions trading scheme, to be implemented by July 2010. It released its Green Paper on the proposed scheme, titled

the Carbon Pollution Reduction Scheme (**CPRS**), on 16 July 2008. The Green Paper indicates that the Government is considering a scheme which requires carbon emitters to purchase permits that are equivalent to their emissions volume, at a price that has not yet been determined. Until the CPRS is finalised the impact on Mount Gibson is uncertain.

Possible risks include increased regulatory costs to buy permits, increased input costs where costs are passed down the supply chain, as well as increased capital expenditure to introduce greenhouse gas abatement measures. Mount Gibson may be required to record and disclose its greenhouse gas emissions under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**NGERA**). While it is anticipated that some of the costs of buying permits can be passed on to customers, the extent to which that will be possible depends on the final form of the CPRS.

Mount Gibson is monitoring the Australian Federal Government's plans to introduce the CPRS and has already implemented procedures to ensure it complies with its reporting obligations under the NGERA.

(l) **Mining risks**

There is a risk of geotechnical failure in the open pit interrupting ore production and/or increasing operating costs.

With many open pits, wall stability can be an issue depending on the geology of the host material in the open pit. Such failures have always been recognised as a risk to mining activity. Mount Gibson has undertaken detailed modelling of failures and has a management strategy for mitigating the risk which begins with pit design, and includes geotechnical monitoring and mapping. Other mitigation strategies include maintaining adequate ore stockpiles to remove the risk of loss of ore production.

(m) **Reliance on key personnel**

Mount Gibson's success is substantially dependent on its senior management and key technical personnel and their ability to continue to develop and manage its projects. The loss of key management could have a material adverse effect on Mount Gibson's business and, consequently, on its financial performance.

(n) **Shortages of skilled personnel**

The tight labour market, an ageing population and a current skills shortage present challenging conditions in which to recruit staff for Mount Gibson's operations. The success of Mount Gibson's operations relies on Mount Gibson being able to recruit skilled staff. Not being able to access skilled staff may impact the implementation of Mount Gibson's business plan and Mount Gibson's ability to achieve production targets within budgetary constraints.

Mount Gibson recognises that these conditions require innovative strategies in its recruitment and retention of a capable workforce. Mount Gibson is currently utilising and investigating procedures designed to reduce risks associated with its workforce including:

- creating and maintaining a more diverse workforce (people with disabilities/immigrant labour);
- recruiting and retaining mature age employees;
- participation in traineeships / cadetships; and
- identification of skilled / semi-skilled tasks and balancing the workforce accordingly.

Notwithstanding these strategies, Mount Gibson's recent decision to terminate arrangements with a number of contractors and terminate the employment of certain employees may have some adverse impact on its ability to reengage contractors and rehire employees as and when it returns to a growth phase, including the terms of those engagements.

13.3 Transaction-specific risks

There are a number of risks associated with the Transaction that affect the New Shares offered under the Rights Issue.

(a) **Impact on Mount Gibson's financial position if the conditions to implementation of the Offtake Agreements, the Underwriting and the Placement are not satisfied**

Each of the Offtake Agreements, the Underwriting and the Placement will only be implemented if each of the Resolutions is approved and certain other conditions precedent are satisfied or waived. While Mount Gibson is not aware of any matter which would, as at the date of this Prospectus, cause these other conditions precedent to be breached or unfulfilled, there is a risk that due to matters outside its control, those conditions will not be satisfied.

The key conditions to the implementation of the Offtake Agreements, the Underwriting and the Placement are:

- for each of the Offtake Agreements, Underwriting and Placement, obtaining Shareholder approval as contemplated by the Notice of Meeting;
- for the aggregate subscription for Shares pursuant to the APAC Underwriting Commitment and as a result of taking up all of its Rights in relation to Shares it held as at the date of the APAC Heads of Agreement, approval by APAC shareholders under the Hong Kong Listing Rules, if required, and receipt of FIRB approval; and
- for the Shougang Concord Underwriting Commitment and the Placement, FIRB approval for Shougang Concord to subscribe for the Shougang Concord Underwriting Commitment and the New Shares under the Subscription Agreement.

If Shareholder approval of each of the Offtake Agreements, Underwriting and Placement is not obtained, none of these elements of the Transaction will be implemented. However, the Rights Issue is not subject to the approval of Shareholders and will proceed regardless of whether or not Shareholders approve the Offtake Agreement, the Underwriting and the Placement.

If the Offtake Agreements are not implemented – and in the absence of alternative offtake arrangements – Mount Gibson will be left selling iron ore through the spot market, which is unable to absorb significant volumes and sales may be at lower prices to the prices achieved under long term offtake agreements. Consequently, Mount Gibson would most likely be in default of its corporate debt and bond facility agreement, which would be required to be refinanced, along with its FX Facilities.

In doing so, Mount Gibson may come under material financial distress and it will be in a less stable financial position and may not be able to continue as a going concern. Mount Gibson may need to realise one or more of its material assets (Koolan Island, Tallering Peak and/or Extension Hill) other than in the ordinary course of business and at values different to those stated in its financial statements. It is unclear whether Mount Gibson's lenders would seek to achieve that outcome through the appointment of a receiver or by working with the existing Board and management.

If Shareholders take up their Rights prior to the satisfaction or waiver of each of the above conditions, there is a risk that each of the conditions considered above will not be satisfied or waived, the realisation of the benefits that Mount Gibson believes will result from the Transaction will be limited and Mount Gibson's operations may not be materially different from its current position or may be materially worse than its current position. In these circumstances, Mount Gibson will be in a less stable financial position and may be unable to continue as a going concern. Upon acceptance by a Shareholder of their Rights, the Shareholder will not be entitled to withdraw that acceptance.

(b) **Trading in Rights**

In addition to the risks that may be associated with an investment in New Shares, the decision to acquire Rights during the Rights Trading Period is subject to the material risk that each of the conditions precedent to the implementation of the Offtake Agreements, Underwriting and Placement will not have been satisfied or waived by the close of the Rights Trading Period. Transactions in Rights before the close of the Rights Trading Period will therefore be conducted in the absence of any certainty as to whether or not Mount Gibson will realise any of the benefits that Mount Gibson believes will result from the Transaction. There is also a risk that Mount Gibson may be in a materially worse position if the Transaction is not implemented. At the close of the Rights Trading Period, investors holding Rights will be unable to trade further in those Rights and will only be able to take up all or part of their Rights or allow the Rights to lapse.

(c) **Impact on control and governance**

The Transaction represents a change in the governance and voting dynamic of Mount Gibson. Mount Gibson considers that the Transaction will have significant effects on control of Mount Gibson which could be detrimental to Shareholders other than APAC and Shougang Concord. It is likely that, on completion of the Transaction, strategic decisions by the management of Mount Gibson will, as a practical matter, require the support of APAC and Shougang Concord.

(1) Voting rights and Shares

If both the Placement and the underwriting of the Rights Issue proceed, Mount Gibson will issue 270.8 million New Shares. This will increase the Shares on issue from 804.4 million to 1,075.2 million and will change the capital structure of Mount Gibson as described in section 11 of this Prospectus. Should both the Placement and the underwriting of the Rights Issue proceed, the interests of Shareholders may be diluted by between 10.23% and 20.05%, depending upon the take up of Rights under the Rights Issue.

As discussed in detail in section 6.7 above, notwithstanding that APAC and Shougang Concord do not consider that they are associates, due to the shareholding of SHHKL in both APAC and Shougang Concord, the fact that there is one common director between APAC and Shougang Concord and the Takeovers Panel Decision, Mount Gibson is of the view that APAC and Shougang Concord may be associates for the purposes of the Corporations Act. If that were the case, APAC and Shougang Concord are each taken to have voting power in Mount Gibson that includes Shares held by them, and held by the other entity. If both the Placement and the underwriting of the Rights Issue proceed, APAC's and Shougang Concord's voting power in Mount Gibson will be between 28.55% and 40.46%, depending upon the take up of Rights under the Rights Issue, and they will be able to exert a degree of control on Mount Gibson commensurate with their voting power. There is a risk that APAC and Shougang Concord could use their voting power to pursue interests which differ from those of other Shareholders.

(2) Board structure

Mr Alan Jones, a director of APAC, currently sits on the Mount Gibson Board. In addition, Mr Cao Zhong has been nominated by APAC and appointed to the Mount Gibson Board as part of the Transaction. Mount Gibson and Shougang Concord have also agreed that following completion of the Rights Issue, Underwriting and the Placement, Mount Gibson will appoint a nominee of Shougang Concord to the Mount Gibson Board.

(3) Conclusion

The outcomes described above represent a change in the governance and voting dynamic of Mount Gibson and the new Shareholder(s) may pursue interests which differ from those of existing Shareholders.

However, as described in detail in section 12.2, APAC and Shougang Concord have respectively agreed to comply with all applicable laws and the ASX Listing Rules in relation to any dealings between Mount Gibson and APAC and between Mount Gibson and Shougang Concord and procure that their nominee directors do the same, including:

- obtaining required Shareholder approvals for transactions between Mount Gibson and APAC or Shougang Concord (or their associates), where required by any applicable law or the ASX Listing Rules;
- complying with any applicable laws relating to directors' conflicts of interest and voting exclusions in relation to matters considered by the Mount Gibson Board;
- ensuring that at all times the composition of the Mount Gibson Board conforms with the ASX's Corporate Governance Principles and Recommendations; and
- in the case of the Shougang Concord or APAC nominee directors, complying with the duties of Directors.

Shougang Concord and APAC have also each agreed with Mount Gibson that all transactions in which Shougang Concord or APAC respectively (or their respective associates) has an interest will either be on arm's length and commercial terms (including any offtake arrangements) or will be approved by independent Shareholders, where required by legislation or the ASX Listing Rules. Such transactions will be approved by the independent directors on the Mount Gibson board in accordance with any applicable laws relating to conflicts of interest and exclusion of directors from voting.

(d) **Impact on status of Mount Gibson under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)***

Foreign investment in Australia is regulated principally under Commonwealth legislation including the *Foreign Acquisitions and Takeovers Act 1975 (FATA)* and by the Australian Government's Foreign Investment Policy (**Policy**). The Federal Treasurer is ultimately responsible for all decisions relating to foreign investment and administration of the Policy and FATA. The Treasurer is advised and assisted by FIRB, which administers the FATA in accordance with the Policy.

Given that APAC currently holds more than 15% of Mount Gibson, Mount Gibson is presently considered a "foreign person" for the purposes of FATA. As a result, the Treasurer has power to make orders under FATA in respect to certain transactions that Mount Gibson enters into, if the Treasurer considers the transaction to be contrary to Australia's national interest. As a foreign person, Mount Gibson is already required to give notice under FATA as a pre-condition to undertaking certain transactions. For example, if Mount Gibson wishes to acquire more than 15% of an Australian corporation with more than A\$100 million of assets, before completing that acquisition it must give the Treasurer notice of the proposal. To avoid the exercise of the Treasurer's powers, a statement of no objection is to be obtained. A statement of no objection issued under FATA or the Policy is often referred to as "FIRB approval".

If the Transaction proceeds, due to interests ultimately held by Shougang Corporation (a Chinese Government entity) in APAC and the resulting investments of APAC and Shougang Concord in Mount Gibson, Mount Gibson will be deemed to be a "foreign government agency" for the purposes of the Policy. The Policy requires that direct investments by foreign governments or their agencies irrespective of size are required to be notified to the Australian Government for prior approval. The result is that in addition to the FATA requirements, Mount Gibson will need to have regard to the Policy when making acquisitions. In particular, exemptions available under FATA are not available

under the Policy as all investments are required to be notified. Proposals by foreign government agencies to make investments are generally subject to a higher level of scrutiny by FIRB than proposals by foreign persons without foreign government ownership.

(e) **Fluctuations in iron ore market**

Under the long term Offtake Agreements, substantially all of Mount Gibson's revenues and cash flows will be derived from the sale of iron ore at prices determined by applying a discount to Hamersley Benchmark Iron Ore Prices. These benchmark iron ore prices are negotiated on an annual basis by parties other than Mount Gibson and may be influenced by numerous factors and events which are beyond the control of Mount Gibson, including but not limited to costs of production of other iron ore producers and other macro-economic factors such as inflationary expectations, interest rates, currency exchange rates (particularly the strength of the US dollar), as well as general global economic conditions and political trends. If the market price for iron ore should fall below or remain below the cost of production for any sustained period due to these and other factors and events, Mount Gibson's business and results of operations could be materially and adversely affected.

(f) **Differentials between price of iron ore sold under the Offtake Agreements and otherwise in the iron ore market**

Under the Offtake Agreements, substantially all of Mount Gibson's revenues and cash flows will be derived from the sale of iron ore at prices which will not reflect the prevailing global benchmark or spot prices of iron ore. Under the Short Term Offtake Agreements, offtake is sold and purchased at a fixed FOB price of US\$40 per wet metric tonne. Under the medium term Offtake Agreement, offtake is sold and purchased at a FOB price of US\$56 per wet metric tonne. Under the long term Offtake Agreements, offtake is sold and purchased at a 10% discount to Hamersley Benchmark Iron Ore Prices subject to penalty specifications and price adjustments. Under each of these pricing mechanisms, there is a risk that Mount Gibson may be forgoing significant amounts of revenues and cash flows relative to the prevailing global benchmark or spot prices of iron ore that could otherwise be earned.

(g) **Transaction costs**

If the Resolutions are approved, transaction costs such as legal and advisory fees will be payable by Mount Gibson. In the event that the Resolutions are not approved, Mount Gibson will still be liable for certain costs.

(h) **Market reaction to concentrated offtake arrangements**

Mount Gibson's agreements for the sale of offtake over the long term with Shougang Concord (80% of Available Production) and APAC (20% of Available Production) is currently expected to represent 63% of combined production from Koolan Island, Tallering Peak and Extension Hill. Investors may find this customer concentration, particularly in the light of previous customer defaults, to be a negative for the company and, therefore, for its valuation. To mitigate this concern, the contracts are binding on Shougang Concord and APAC and both companies have material balance sheets in Hong Kong. In addition, they share a common shareholder in Shougang Corporation (through SHHKL) which is one of China's largest steel producers and a state owned entity. It is also noted that to the extent that APAC and Shougang Concord hold Shares in Mount Gibson, directly or indirectly, as a result of the Transaction, their interests are aligned with those of existing Shareholders.

(i) **Failure to complete the Underwriting or the Placement**

The Underwriting Agreements each provide for certain termination events that are summarised in section 14.4(c) of this Prospectus. In addition, the Subscription Agreement provides for certain termination events. Amongst other things, these termination events include certain material adverse changes to Mount Gibson and a material deterioration in the Australian equity capital market. There is a risk that one or more of these termination events will be triggered, thereby allowing APAC and/or Shougang Concord to terminate the Underwriting Agreements and, in the case of Shougang Concord, the Subscription Agreement. Mount Gibson has dealt with the performance risk pertaining to the Underwriting Agreements and the Subscription Agreement – in the absence of a termination event or a condition not being fulfilled (or waived) – through the implementation of escrow arrangements. Under the Underwriting Agreements, both APAC and Shougang Concord have agreed, if requested to do so, to place certain portions of the funds required to satisfy their respective Underwriting Commitments in an escrow account, or otherwise provide a bank guarantee or letter of credit for the same purposes, prior to the Meeting. Under the Subscription Agreement, Shougang Concord has agreed to place the entire Subscription amount in an escrow account prior to the Meeting. The escrow arrangements are set out in more detail in Schedules 1 and 2 to the Explanatory Memorandum.

(j) **Market reaction to concentrated ownership**

While Mount Gibson has addressed perceived risks associated with the changes to Board composition through the governance undertakings detailed in section 12 of this Prospectus, there is a risk that investors will discount the Shares as a result of the perceived change of control of the Company and the decreased likelihood of a third party making a takeover bid for Mount Gibson – referred to as the implied take-over premium.

(k) **Foreign exchange facility risk**

The providers of Mount Gibson's FX Facilities (**FX Facilities Providers**) have agreed to roll forward excess US dollar forward contracts (above that required to cover expected near term US dollar revenue) for November and December 2008 to January 2009.

Following the completion of the Rights Issue, Placement and Shareholder approval for the Offtake Agreements, Mount Gibson plans to approach the FX Facilities Providers with a proposal to roll forward excess US dollar forward contracts beyond January 2009. Based on preliminary discussions between Mount Gibson and the FX Facilities Providers to date, Mount Gibson expects the FX Facilities Providers are likely to give due consideration to this. However, no assurance can be given that the FX Facilities Providers will agree to Mount Gibson's proposal. In this event, material cash funds may be required for cash settlement of the excess forward contracts and will decrease cash available for working capital and ongoing development activities at Koolan Island and Extension Hill. If the Offtake Agreements, the Underwriting and the Placement are not approved, Mount Gibson may not have the funding to cash settle these excess forward contracts, will be in a less stable financial position and may be unable to continue as a going concern.

(l) **Operating profit risk**

Prior to July 2009, Mount Gibson will supply available production to Shougang Concord and APAC at FOB prices of US\$40 per wet metric tonne for November to December 2008 and US\$56 per wet metric tonne for January to June 2009. Given the FX Facilities, the Australian dollar revenue is known with reasonable certainty. However, there is a risk that costs may increase to the point where these short and medium term prices are insufficient to cover ongoing operational costs.

14 Additional information

14.1 Continuous disclosure

Mount Gibson is a “disclosing entity” under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Broadly, these obligations require:

- the preparation of yearly and half-yearly financial statements and a report on Mount Gibson’s operations during the relevant accounting period together with an audit or review report on those operations by Mount Gibson’s auditor; and
- Mount Gibson to notify the ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would expect to have a material effect on the price value of its securities. That information is available to the public from the ASX.

Copies of documents lodged with ASIC in relation to Mount Gibson may be obtained from, or inspected at, an ASIC office.

Mount Gibson will provide, free of charge, a copy of its annual report for the year ended 30 June 2008 (being Mount Gibson’s most recent annual report lodged with ASIC before the date of this Prospectus) and each of the following continuous disclosure documents (being those released after lodgement of the annual report but before the date of this Prospectus), to any person who asks for it during the Offer Period:

- 22 October 2008: Ceasing to be a substantial holder;
- 23 October 2008: Trading halt pending release of market announcement;
- 27 October 2008: Suspension from official quotation pending release of market announcement;
- 31 October 2008: Quarterly activities report;
- 3 November 2008: Iron ore offtake and equity financing;
- 3 November 2008: Reinstatement to official quotation;
- 4 November 2008: Quarterly activities report – compliance statement;
- 13 November 2008: Koolan Island western iron ore targets;
- 18 November 2008: Chairman’s AGM address to shareholders;
- 18 November 2008: AGM presentation;
- 18 November 2008: Managing Director’s AGM presentation;
- 18 November 2008: Results of AGM;
- 18 November 2008: Constitution;
- 24 November 2008: Transaction Update – APAC and Shougang agreements signed;
- 26 November 2008: Final APAC and Shougang agreements signed;
- 1 December 2008: Explanatory Memorandum / Notice of Meeting;
- 1 December 2008: Sample EGM Proxy Form; and
- 2 December 2008: Board appointment.

All requests for copies of the above documents should be addressed to:

Company Secretary
Mount Gibson Iron Limited
Level 1
7 Havelock Street
West Perth WA 6005
AUSTRALIA

The above documents may also be obtained from Mount Gibson's website (www.mtgibsoniron.com.au) or ASX's website (www.asx.com.au). Mount Gibson's ASX code is "MGX".

14.2 Rights and liabilities attaching to New Shares

Each New Share issued pursuant to this Prospectus will rank equally with the Existing Shares.

The rights and liabilities attaching to Shares are set out in the Constitution. A copy is available at www.mtgibsoniron.com.au.

The main rights and liabilities attaching to Mount Gibson Shares are summarised below.

(a) Meetings of Shareholders and voting rights

At a general meeting, subject to the terms on which Shares are issued, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote on a show of hands and one vote on a poll for each fully paid Share held (with adjusted voting rights for partly paid Shares if any are on issue). Voting at any general meeting of Shareholders is by a show of hands unless a poll is demanded by at least five Shareholders entitled to vote on the resolution, Shareholders entitled to cast at least 5% of the votes that may be cast on the resolution on a poll, the Chairman.

(b) Dividends

The Directors of Mount Gibson may from time to time determine to distribute the Company's profits by way of dividend to those Shareholders that are entitled to receive dividends. Each Share has the same dividend rights, subject to any special rights, arrangements or restrictions attached to the Shares.

(c) Winding up

If the company is wound up, the liquidator may, with the sanction of a special resolution, divide the assets of the company among the members in kind.

(d) Transfer of Shares

Shareholders may transfer Shares by a written transfer in the required form or by a proper transfer effected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with the Constitution, the ASX Listing Rules, the ASTC Settlement Rules and the Corporations Act. The Directors may refuse to register a transfer of Shares in circumstances permitted by the ASX Listing Rules or the ASTC Settlement Rules. The Directors must refuse to register a transfer of Shares where required to do so by the ASX Listing Rules or the ASTC Settlement Rules.

(e) Alteration of capital

Subject to sections 246C and 246D of the Corporations Act, a variation or cancellation of rights attached to Mount Gibson shares is allowed with the consent of either the holders of a majority of the issued shares of the affected class, or the sanction of an ordinary resolution passed at a meeting of the holders of the issued shares of the affected class. In either case, the holders of not less than 10% of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

14.3 ASX waivers

ASX has confirmed that no waivers from the ASX Listing Rules are required in relation to the Rights Issue or to implement the Transaction.

14.4 Underwriting Agreements

Each of APAC and Shougang Concord have been separately appointed to act as Underwriters to the Rights Issue. Set out below is a summary of the key terms of the Underwriting Agreements.

- Under the APAC Underwriting Agreement, APAC has agreed to underwrite up to a maximum of 82,900,000 of the Shortfall Shares (in respect of which it has a priority right to underwrite). Under the Shougang Concord Underwriting Agreement, Shougang Concord has agreed to subscribe for the balance of any Shortfall Shares, up to a maximum of 50,000,000 Shortfall Shares.
- Details of the potential effect of the Underwriting on the voting power in and control of Mount Gibson are contained in section 11 of this Prospectus.
- Aside from the number of Shortfall Shares subscribed for under the respective Underwriting Commitments, the order of priority of the Underwriting Commitments and the differences in the conditions precedent, FIRB approval obligations and termination events identified below, there are no material differences in the terms of the Underwriting Agreements.
- Mount Gibson has agreed to pay both APAC and Shougang Concord an underwriting fee of 3.5% of the maximum potential underwritten amounts under the respective Underwriting Commitments (**Underwriting Fee**). This will equate to payment of fees of approximately A\$1.74 million to APAC and A\$1.05 million to Shougang Concord.
- Mount Gibson has agreed to reimburse each Underwriter's costs and expenses in connection with the Rights Issue. Mount Gibson will also reimburse each Underwriter's costs if the relevant Underwriting Agreement is terminated.

(a) **Conditions precedent**

The obligations of each Underwriter are conditional on each of the following conditions precedent to the completion of the Underwriting Agreement and each Underwriter may terminate its respective Underwriting Agreement with one business day's notice if any of the following conditions precedent are not satisfied by the agreed deadlines:

- (1) the Prospectus and ASX announcements referring to the Rights Issue (**Rights Issue Documentation**) are in a form acceptable to the Underwriter (acting reasonably);
- (2) none of the termination events outlined below has occurred before the Shortfall Settlement Date (that is, the date specified as the date on which the Underwriter must apply for the Shortfall Shares in accordance with the terms of the relevant Underwriting Agreement (currently 9 January 2009) or such other day agreed by the parties in writing);
- (3) between the date of the relevant Underwriting Agreement and the completion of that Underwriting Agreement (**Issue Period**) there is no application made to, action or investigation threatened or commenced by, or decision or order issued by a regulatory authority in connection with the Rights Issue, which:
 - restrains or prohibits, or otherwise materially adversely affects, the completion of the Rights Issue or the completion of any other transaction contemplated by the Rights Issue (whether subject to

conditions or not) or the rights of an Underwriter or its Related Body Corporate in respect of Mount Gibson and the Shares to be acquired under the Rights Issue; or

- requires the divestiture by the Underwriter or any Related Body Corporate of any Shares, or the divestiture of any assets of the Mount Gibson group or the Underwriter;
- (4) ASX officially approving the quotation of the Shares offered pursuant to the Rights Issue (**Rights Shares**) and the Rights on or before:
- the last business day before the Rights are scheduled to be traded in the final timetable agreed with the Underwriter (**Timetable**) in respect of the Rights; and
 - an agreed date by which Mount Gibson must have received from ASX official quotation approval (currently 5 December 2008) in respect of the Rights Shares.

The quotation must be without qualifications or conditions (other than customary conditions in respect of the Rights), and must not be subsequently withdrawn, withheld or qualified;

- (5) in respect of the APAC Underwriting Agreement only, APAC obtaining the approval of its shareholders at a special general meeting for the aggregate subscription of Shares pursuant to the APAC Underwriting Commitment and that it is entitled to subscribe for under the Rights Issue pursuant to Rights issued in respect of Shares it held as at the date of the APAC Heads of Agreement and APAC taking all steps required under the Hong Kong Listing Rules and any other relevant legislation, including FIRB approval, before 9 January 2009 (or such other day as agreed by the parties in writing);
- (6) in respect of the Shougang Concord Underwriting Agreement only, Shougang Concord receiving FIRB approval;
- (7) Mount Gibson obtaining the approval of Shareholders at the Meeting and taking all other steps required under the ASX Listing Rules and any other relevant legislation for entry into:
- in respect of each Underwriting Commitment, the Underwriting Agreements and the long term Offtake Agreements; and
 - in respect of the Shougang Concord Underwriting Commitment only, the Placement and the medium term Offtake Agreement;
- (8) the Underwriter receiving by 9.00am on the date of lodgement of the Prospectus a copy of the final due diligence report of the due diligence committee formed by Mount Gibson in connection with the Rights Issue (**DDC**), which must also be addressed to, and expressed to be for the benefit of, each of the DDC members and their representatives and signed by each member of the DDC, and accompanied by all opinions and sign-offs provided to the DDC which are expressed to be for the benefit of each member of the DDC and their representatives, each in a form acceptable to each Underwriter (acting reasonably);
- (9) the due diligence investigations conducted by Mount Gibson in connection with the Prospectus being completed to the satisfaction of the Underwriter (acting reasonably) by 9.00am on the date of lodgement of the Prospectus; and
- (10) each Offtake Agreement that the Underwriter is a party to having been executed by all relevant parties on or before the agreed date.

(b) **FIRB approval**

Under the Shougang Concord Underwriting Agreement, the Underwriter agrees to apply to FIRB for FIRB approval to allow it to subscribe for Shortfall Shares under the agreement.

Under the APAC Underwriting Agreement, the Underwriter agrees to procure application to FIRB for a new FIRB approval, subsequent to its existing FIRB approval (granted by FIRB on 8 January 2008 allowing it to increase its shareholding in Mount Gibson to 29%, and which will expire on 8 January 2009) to allow it to subscribe for Shortfall Shares under the agreement (**New FIRB Approval**). If the New FIRB Approval is not received prior to all conditions precedent (other than the condition precedent described in (5) above) being satisfied, the Underwriter must subscribe for the Shortfall Shares on the basis of its existing FIRB approval and, to the extent it cannot complete its obligations to subscribe for the Shortfall Shares, it must use best endeavours to arrange for a non-associated person that is not subject to any regulatory approval restrictions to subscribe for the remaining Shortfall Shares.

(c) **Termination events**

Each Underwriter may terminate its respective Underwriting Agreement if any of the following termination events occurs at any time before completion of that Underwriting Agreement, or the deadline otherwise specified in the relevant Underwriting Agreement (**Termination Events**):

- (1) the Rights Issue does not comply in all respects with the relevant conditions specified in section 611 of the Corporations Act;
- (2) the Underwriter becomes aware of:
 - any information in the Rights Issue Documentation or other Public Information (as defined in the Underwriting Agreement) which is untrue, incorrect or misleading or deceptive in a material manner; or
 - any material omission from or non-disclosure in the Rights Issue Documentation,and Mount Gibson fails to correct the information within 2 business days of being alerted by the Underwriter;
- (3) a statement contained in any of the Rights Issue Documentation or other Public Information (as defined in the Underwriting Agreement) is or becomes materially misleading or deceptive;
- (4) any material default by Mount Gibson or any of its subsidiaries in the performance of its obligations under the relevant Underwriting Agreement or by any party in the performance of its obligations under any agreement referred to in the Rights Issue Documentation;
- (5) a material contravention by Mount Gibson of any provision of the Constitution (or by a subsidiary of Mount Gibson of its constitution), the Corporations Act, taxation legislation or the ASX Listing Rules;
- (6) the occurrence of an event that has a material adverse effect on the assets, liabilities, financial position or performance, profits, losses or prospects of Mount Gibson or any subsidiary, insofar as the position in relation to that subsidiary affects the overall position of Mount Gibson, unless the effect results from:
 - any matter disclosed by Mount Gibson on ASX following the last accounts (on 30 June 2008) or otherwise disclosed in the Prospectus;

- any default by a Mount Gibson customer under a previous offtake agreement, or where a Mount Gibson customer is currently in default under a previous offtake agreement, any further default by that customer; or
- any legal action taken by Mount Gibson or its subsidiaries or a Mount Gibson customer in relation to a default by a Mount Gibson customer under a previous offtake agreement,

(Material Adverse Effect);

- (7) any legal action is commenced or threatened against Mount Gibson or any of its subsidiaries which, if successful, could, or any current pending legal action is determined with the result that it will, cause a Material Adverse Effect;
- (8) Mount Gibson or any of its subsidiaries is ordered to pay in excess of A\$1,000,000 and the order has not been discharged within 7 business days;
- (9) the introduction of a law or policy likely to prohibit, restrict or regulate the Rights Issue or capital issues or reasonably likely to materially affect the level of valid applications for Shares under the Rights Issue;
- (10) at any time during the Issue Period, any member of the Mount Gibson group becomes insolvent (as defined under the Underwriting Agreement);
- (11) Mount Gibson fails to lodge the Prospectus with ASX by 3 December 2008 or such other date as agreed between the parties;
- (12) the Australian Takeovers Panel makes a declaration that circumstances in relation to the affairs of Mount Gibson are unacceptable circumstances under Part 6.10 of the Corporations Act;
- (13) a new circumstance in relation to Mount Gibson or any of its subsidiaries has arisen since the lodgement of the Rights Issue Documentation with ASX that would have been required to be included by the Corporations Act if it had arisen before the Rights Issue Documentation was lodged and Mount Gibson fails to lodge documents correcting the defect within a reasonable time of becoming aware of the new circumstance;
- (14) other than in relation to the Rights Shares and the Placement, Mount Gibson or any of its subsidiaries alters the issued capital of Mount Gibson or the relevant subsidiary (as the case may be) before the proposed date of allotment of the Rights Shares in the Timetable (being 12 January 2009) or disposes or attempts to dispose of a substantial part of the business or property of Mount Gibson without the prior written approval of the Underwriter;
- (15) approval is refused or not granted, or approval is granted subject to conditions other than customary pre-quotation listing conditions, to the quotation of the Rights Shares on ASX or for the Rights Shares to be traded through CHESS, on or before the agreed date or if granted, the approval is subsequently withdrawn, qualified (other than by customary pre-quotation listing conditions) or withheld;
- (16) approval is refused or not granted, or approval is granted subject to conditions, to the quotation of the Rights on ASX or for the Rights to be traded through CHESS, on or before the last business day before the agreed date, or if granted, the approval is subsequently withdrawn, qualified or withheld;

- (17) ASIC gives notice of any deficiency in the Rights Issue Documentation or related documents or ASIC gives notice of an intention to hold a hearing, examination or investigation, or it requires information to be disclosed in connection with the Rights Issue or Mount Gibson, other than where the relevant notice does not become public and is withdrawn or addressed within 3 business days and the Underwriter is immediately notified of ASIC's notice or requirements and the progress of its being withdrawn or addressed;
- (18) any person (other than the Underwriter) who has previously consented to the inclusion of its name in the Prospectus withdraws that consent or any person gives notice under section 730 of the Corporations Act in relation to the Prospectus;
- (19) Mount Gibson is prevented from allotting the Rights Shares within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute or court order or a regulatory authority;
- (20) the S&P/ASX 200 Index, as published by ASX, is at any time after the date of lodgement of the Prospectus with ASIC and ASX, equal to or less than 2822.56 for a period of 3 consecutive trading days;
- (21) Mount Gibson does not provide a certificate to the Underwriter as and when required certifying that:
- Mount Gibson has complied with all of its obligations under the relevant Underwriting Agreement and in respect of the Rights Issue, the ASX Listing Rules, statute or otherwise;
 - Mount Gibson is not in default under the provisions of the relevant Underwriting Agreement;
 - none of the Termination Events have occurred or, if a Termination Event has occurred, it has been disclosed to the Underwriter and the Underwriter has confirmed that it has not formed the opinion that it is entitled to terminate the relevant Underwriting Agreement; and
 - the representations and warranties given by Mount Gibson under the relevant Underwriting Agreement are true and correct (**Closing Certificate**);
- (22) a statement in a Closing Certificate is untrue or incorrect in a material respect;
- (23) the Rights Issue is not conducted in accordance with the Timetable or any event specified in the Timetable is delayed for more than 2 business days without the prior written consent of the Underwriter;
- (24) Mount Gibson withdraws the Rights Issue;
- (25) any representation, warranty or undertaking given by Mount Gibson in the relevant Underwriting Agreement is or becomes untrue or incorrect; or
- (26) the commencement or major escalation of local, national or international hostilities or armed conflict (whether war has been declared or not), or a major terrorist act is perpetrated on any country or any diplomatic, military, commercial or political establishment of any country, or the occurrence of any combination of such circumstances, where in each case in the reasonable opinion of the Underwriter (acting in good faith), the event:
- has materially adversely affected, or is reasonably likely to materially adversely affect, the business or the financial or trading position of (in the case of the APAC Underwriting Agreement) the Underwriter's group of companies as a whole and (in the case of the Shougang Concord Underwriting Agreement) the Underwriter;

- is (or in the absence of any contractual obligation, would be) reasonably likely to materially adversely prejudice the success of the Rights Issue, the willingness of persons to subscribe for the Rights Shares or the market price of the securities of Mount Gibson;
- has given or could give rise to a material liability for the Underwriter; or
- has given or could give rise to a contravention by the Underwriter of, or the Underwriter being involved in a contravention of, the Corporations Act or any other applicable law.

(d) **Escrow arrangements**

Shougang Concord and APAC have each agreed to, if required by Mount Gibson's banking syndicate, place an amount equal to 40% of the underwritten amounts (**Escrow Amount**) into an escrow account or provide a letter of credit or bank guarantee in respect of such amount, pending the finalisation of the Underwriting.

Under the terms of each Underwriting Agreement, Mount Gibson has agreed to indemnify each of Shougang Concord and APAC for any interest withholding tax that may be payable on interest earned on the relevant Escrow Amount while it is in the escrow account.

14.5 Privacy

By filling out the Entitlement and Acceptance Form to apply for New Shares or paying your Application Monies by BPAY[®], you are providing personal information to the Company.

The *Privacy Act 1988* (Cth) regulates the way Mount Gibson collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company is committed to respecting the privacy of your personal information.

Mount Gibson collects, holds and uses that personal information in order to process your application and to administer your shareholding in Mount Gibson, including:

- the Company maintaining a register of Shareholders in accordance with the Corporations Act;
- the Company paying dividends to you;
- the Company communicating with you, such as sending you annual reports, notices of meetings and any other document which the Company wishes to send to you as a Shareholder;
- the Company carrying out general administration including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- the Company complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company may not be able to process or accept your application for New Shares.

Your personal information may also be used from time to time to inform you about other Mount Gibson products and or services which it is considered may be of interest to you.

You may inform Mount Gibson that you do not wish to receive information about other Mount Gibson products and/or services.

Your personal information may also be provided to other Mount Gibson companies on the basis that they deal with such information in accordance with the Company's privacy policy.

Your personal information may be provided to the Company's agents or service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- the Share Registry for ongoing administration of the share register (the Share Registry is contracted by the Company to maintain the register);
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- professional service providers such as lawyers, accountants, auditors, consultants, and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions; and
- other companies where the Company believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- the ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. A reasonable charge for providing access to personal information may be charged for providing access to personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

Company Secretary
Mount Gibson Iron Limited
Level 1
7 Havelock Street
West Perth WA 6005
AUSTRALIA
Phone: +61 8 9426 7500

14.6 Consents

Each of the parties referred to as consenting parties who are named below:

- (a) does not make the Offer;
- (b) has not authorised, and has not caused the issue of this Prospectus;
- (c) has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as set out in paragraph (f), below;
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus;
- (e) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named; and
- (f) in the case of:
 - (1) each of APAC Resources Limited and Shougang Concord, has consented to the inclusion of statements in this Prospectus regarding the relationship between them;
 - (2) Ernst & Young, has consented to the inclusion of references to Mount Gibson's audited financial statements in this Prospectus;
 - (3) each of Rolf Forster and Weifeng Li, has consented to the inclusion of statements in this Prospectus noted to have been made by him or to be based on statements made by him; and
 - (4) KPMG, has consented to the inclusion of references to its Independent Expert's Report in this Prospectus,

in the form and context in which they are included.

Role	Consenting Parties
Underwriter	APAC Resources Investments Limited
Underwriter	Shougang Concord International Enterprises Company Limited
Corporate Adviser	Azure Capital
Australian Legal Adviser	Freehills
Auditor	Ernst & Young
Competent person for the purposes of the JORC Code	Each of the persons named in paragraph 14.6(f)(3), above
Share Registry	Computershare Investor Services Pty Ltd
Independent Expert in relation to the Explanatory Memorandum	KPMG Corporate Finance
Person who has made a statement on which a statement made in this Prospectus is based as stated in paragraph 14.6(f)(1) above	APAC Resources Limited

14.7 Directors', experts' and advisers' consents and interests

Other than as set out below or elsewhere in this Prospectus no:

- Director or proposed Director of Mount Gibson;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Mount Gibson; or
- underwriter to the issue of Mount Gibson Shares or financial services licensee named in this Prospectus as being involved in the issue of Mount Gibson Shares,

(together, the **Interested Persons**) holds at the date of this Prospectus or held at any time during the last two years, any interest in:

- the formation or promotion of Mount Gibson;
- property acquired or proposed to be acquired by Mount Gibson in connection with its formation or promotion, or the offer of Shares under the Offer; or
- the offer of Shares.

(a) **Directors**

As at the date of this Prospectus, the Directors had the following relevant interests in Shares:

Director	Class of security	Number	Nature of Relevant Interest
Neil Hamilton	Ordinary	185,000	Direct
Luke Tonkin	N/A	Nil	N/A
Craig Readhead	Ordinary	567,500	Direct and indirect
Ian Macliver	Ordinary	1,000,000	Indirect
Alan Jones	Ordinary	100,000	Direct
Alan Rule ⁵	Ordinary	50,000	Direct
Cao Zhong	N/A	Nil	N/A
Chen Zhouping ⁶	N/A	Nil	N/A

⁵ Mr. Alan Rule is an alternate Director.

⁶ Mr Chen Zhouping is not currently a Director but will be appointed as Shougang Concord's nominee following completion of the Transaction.

As at the date of this Prospectus, the Directors had the following Relevant Interests in Options:

Director	Exercise Price (A\$)	Exercise date	Number	Nature of Relevant Interest
Neil Hamilton	N/A	N/A	Nil	
Luke Tonkin	0.90 1.10	Between 24/10/08 and 23/10/10 Between 24/10/10 and 23/10/12	3,000,000 2,000,000	Direct Direct
Craig Readhead	N/A	N/A	Nil	
Ian Macliver	N/A	N/A	Nil	
Alan Jones	N/A	N/A	Nil	
Alan Rule	0.90	Between 1/7/08 and 30/6/10	2,000,000	Direct
Cao Zhong	N/A	N/A	Nil	
Chen Zhouping	N/A	N/A	Nil	

As at the date of this Prospectus, the Directors had the following Relevant Interests in performance rights in Mount Gibson, pursuant to the Mount Gibson Iron Limited Performance Rights Plan:

Director	Vesting	Number	Nature of Relevant Interest
Neil Hamilton	N/A	Nil	
Luke Tonkin	May vest from 30 June 2010 or 31 December 2010	227,758	Direct
Craig Readhead	N/A	Nil	
Ian Macliver	N/A	Nil	
Alan Jones	N/A	Nil	
Alan Rule	May vest from 30 June 2010 or 31 December 2010	168,324	Direct
Cao Zhong	N/A	Nil	
Chen Zhouping	N/A	Nil	

(b) **Experts and advisers**

Azure Capital has acted as financial adviser to Mount Gibson. Azure Capital's fees for work up to the date of lodgement of this Prospectus will be approximately \$100,000 (plus GST) and Azure Capital may be eligible for a success fee upon completion of the Transaction.

Freehills has acted as Australian legal adviser to Mount Gibson. Freehills' fees for work in relation to the Transaction (which includes services in connection with the Rights Issue) up to the date of lodgement of this Prospectus will be approximately A\$400,000 (plus GST and disbursements). Freehills may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

APAC and Shougang Concord have acted as underwriters of the Rights Issue. Details of the Underwriting Agreements and the fees payable to APAC and Shougang Concord in relation to the Underwriting are set out in section 14.4.

15 Glossary

Term	Meaning
A\$, AUD	Australian dollars.
AIFRS	Australian equivalents to International Financial Reporting Standards.
APAC	APAC Resources Limited and: <ul style="list-style-type: none">• in the context of the Underwriting means its subsidiary, APAC Resources Investments Limited (whose obligations in respect of the Underwriting are guaranteed by APAC);• in the context of the APAC Offtake Agreements means Sino Chance Trading Limited (whose obligations in respect of the APAC Offtake Agreements are guaranteed by APAC); and• in the context of the commitment of APAC to take up all of its Rights in respect of Shares held as at the date of the APAC Heads of Agreement, means members of the APAC Group (or their nominee holders) who are Shareholders.
APAC Group	APAC and all of its Related Bodies Corporate.
APAC Heads of Agreement	the heads of agreement in relation to the APAC Offtake Agreements and Underwriting by APAC dated 2 November 2008 between Mount Gibson and APAC.
APAC Offtake Agreements	the long term offtake agreements between APAC and the relevant Mount Gibson subsidiary in respect of the Koolan Island, Talling Peak and Extension Hill mines as described in Schedule 3 to the Explanatory Memorandum.
APAC Underwriting Agreement	the underwriting agreement dated 20 November 2008 between Mount Gibson, APAC Resources Limited and APAC Resources Investments Limited under which APAC Resources Investments Limited (whose obligations are guaranteed by APAC) agrees to underwrite a maximum of 82,900,000 Shortfall Shares, as described in section 14.4.
APAC Underwriting Commitment	up to the first 82,900,000 Shortfall Shares for which APAC has committed to subscribing for under, and in accordance with the terms and conditions of, the APAC Underwriting Agreement.

Term	Meaning
Appeals Convenor	the statutory office established under section 107A of the <i>Environmental Protection Act 1986</i> (WA) to investigate and advise the Minister for the Environment on appeals made under that Act.
Applicants	an Eligible Shareholder who submits an Application together with Application Monies (each an Applicant).
Application	an application for New Shares in the Rights Issue made by an Applicant in an Entitlement and Acceptance Form or such other form as approved by Mount Gibson.
Application Monies	monies received from persons applying for New Shares pursuant to the terms of the Rights Issue.
ASIC	the Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Ltd.
ASTC Settlement Rules	the operating rules of the settlement facility provided by ASTC.
ASX	ASX Limited ACN 008 624 691, or the market conducted by it, as the context requires.
ASX Listing Rules	the listing rules of ASX.
Available Production	<p>lump and fines iron ore product:</p> <ul style="list-style-type: none"> • from mines owned by Mount Gibson and/or its subsidiaries at the Reference Date (being Koolan Island, Tallering Peak and Extension Hill (in the case of Extension Hill, when it enters production)); • that at any point in time is not the subject of any binding offtake agreement with offtake customers entered into before the Reference Date and, for the avoidance of doubt, includes lump and fines ore product the subject of binding offtake agreements that have been validly terminated in accordance with their terms, or under which a customer is in default such that no ore is being shipped under that agreement at the relevant date; and • that is able to be shipped by Mount Gibson having regard to shipping schedules, mine production, transport logistics and port capacity.

Term	Meaning
Azure Capital	Azure Capital Pty Ltd.
Board or Mount Gibson Board	the Board of Directors of Mount Gibson from time to time.
Company or Mount Gibson	Mount Gibson Iron Limited ABN 87 008 670 817.
Constitution	the constitution of Mount Gibson from time to time.
CHESS	the Clearing House Electronic Subregister System operated by ASTC.
CIF	cost, insurance and freight.
Closing Date	5:00pm (WDT) on Tuesday, 6 January 2009 (or such date as varied by Mount Gibson).
Computershare	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	a director of Mount Gibson from time to time.
EDST	Eastern daylight savings time.
Eligible Shareholder	a Shareholder who, as at the Record Date, has a registered address in Australia, New Zealand or Hong Kong; see section 8.5 for more details.
Entitlement and Acceptance form	a personalised acceptance form in the form accompanying this Prospectus pursuant to which Applicants may apply for New Shares.
Escrow Agreement	the Escrow Agreement dated 22 November 2008 between Mount Gibson, Freehills (as escrow agent) and Shougang Concord.
Existing Shares	Shares issued before 5.00pm (WDT) on the Record Date.

Term	Meaning
Excluded Shareholders	Shareholders who are registered as holders of Shares but to whom the offer under the Rights Issue is not being made as set out in section 8.5.
Explanatory Memorandum	the explanatory memorandum dated 25 November 2008 that provides information to Shareholders in relation to the Transaction and incorporates the Notice of Meeting including resolutions for the approval of the Offtake Agreements, the Underwriting and the Placement.
Fe	iron.
FIRB	Australia's Foreign Investment Review Board.
FOB	has the same meaning as in the Incoterms 2000 published by the International Chamber of Commerce.
FX Facilities	a variety of forward and option contracts for the US dollar purchase of A\$ entered into with Mount Gibson's lenders.
Hamersley Benchmark Material	the material supplied by Rio Tinto Limited or its Related Bodies Corporate under long term contracts at Hamersley Benchmark Iron Ore Prices.
Hamersley Benchmark Iron Ore Prices	the price (in US dollars) per dry metric tonne unit for lump ore and fines Hamersley iron ore deliveries sold under long term contracts, as announced from time to time by Rio Tinto Limited or its Related Bodies Corporate.
Heads of Agreements	the APAC Heads of Agreement and the Shougang Concord Heads of Agreement.
HK\$	Hong Kong dollars.
Independent Expert's Report	the Independent Expert's Report prepared by KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215, as set out in Annexure A to the Explanatory Memorandum.
Issue Price	A\$0.60, the price payable for one New Share under the Rights Issue.

Term	Meaning
Indicated Mineral Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence, according to JORC.
Inferred Mineral Resource	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence, according to JORC.
JORC	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
Measured Mineral Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence, according to JORC.
Meeting	the general meeting of Shareholders at which Shareholders will consider whether to approve the Offtake Agreements, the Underwriting and the Placement, to be held on 30 December 2008.
Mineral Resource	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction, according to JORC.
Mount Gibson Independent Directors	<p>the Directors who are not associated with either APAC or Shougang Concord, and so are considered to be independent of APAC and Shougang Concord for the purposes of the Transaction, being the Directors other than:</p> <ul style="list-style-type: none"> • Mr Alan Jones (who is also a director of APAC); and • Mr Cao Zhong (who is a nominee of APAC); and • following his appointment, Mr Chen Zhouping (who is a nominee of Shougang Concord).
Mount Gibson Investor Information Line	1300 794 682 (toll free within Australia) or +61 2 8280 7751 (from outside Australia). This information line is open from 8.30am (EDST) to 5.30pm (WDT) Monday to Friday during the Offer Period.

Term	Meaning
Mt	million tonnes.
Mtpa	million tonnes per annum.
New Shares	a Share offered for subscription on the basis of, and under the terms of, the Rights Issue, or a Share to be issued to Shougang Concord on the basis of, and under the terms of, the Placement, as the context requires.
Nominee	has the meaning given in section 8.5(c).
Notice of Meeting	the notice for the Meeting dated 25 November 2008, as set out in Annexure B of the Explanatory Memorandum.
Offer Period	refers to the period from 17 December 2008 to the Closing Date.
Offtake Agreements	the Shougang Concord Offtake Agreements and the APAC Offtake Agreements.
Option	an option to be issued a Share on payment of the relevant exercise price.
Ore Reserve	the calculated tonnage and grade of mineralisation which can be extracted profitably; classified as possible, probable and proven according to the level of confidence that can be placed on the data and is the economically mineable part of a Measured or Indicated Mineral Resource, according to JORC.
Placement	the placement of 110,000,000 Shares to Shougang Concord at A\$0.60 per New Share pursuant to the Subscription Agreement to raise A\$66 million (before expenses), subject to, amongst other things, Shareholder and FIRB approval.
Probable Reserve	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource, according to JORC.

Term	Meaning
Prospectus	this document, dated 3 December 2008.
Proved Reserve	the economically mineable part of a Measured Mineral Resource, according to JORC.
Record Date	the date for determining the entitlement of Shareholders to Rights under the Rights Issue, being 5.00pm (WDT) on 11 December 2008.
Reference Date	in the case of the APAC Offtake Agreements means 2 November 2008 and in the case of the Shougang Concord Offtake Agreements means 31 October 2008.
Related Body Corporate	has the same meaning as in section 9 of the Corporations Act.
Relevant Interest	has the same meaning as in section 9 of the Corporations Act.
Resolutions	<p>the Shareholder resolutions set out in the Notice of Meeting in relation to the Meeting to approve:</p> <ul style="list-style-type: none"> • entry by Mount Gibson into the Offtake Agreements with each of APAC and Shougang Concord; • the Underwriting Agreements with each of APAC and Shougang Concord; and • the Placement to Shougang Concord.
Rights	the entitlement of an Eligible Shareholder to subscribe for 1 New Share for every 5 Existing Shares held at the Record Date pursuant to the Rights Issue. Your entitlement to Rights is set out in the Entitlement and Acceptance Form accompanying this Prospectus.
Rights Issue or Offer	the offer of New Shares pursuant to this Prospectus.
Rights Issue Proceeds	the proceeds received by Mount Gibson as a result of the issue of Shares the subject of the Rights Issue and underwriting.
Rights Trading Period	the period during which Eligible Shareholders may trade their Rights, being 5 December 2008 to 29 December 2008 (inclusive).

Term	Meaning
Share	a fully paid ordinary share in the capital of Mount Gibson.
Shareholder	the registered holder of a Share.
Share Registry	Computershare Investor Services Pty Ltd.
SHHKL	Shougang Holding (Hong Kong) Limited, a substantial shareholder in both APAC and Shougang Concord.
Short Term Offtake Agreements	offtake agreements, not subject to Shareholder approval, by which each of APAC and Shougang Concord, or their respective nominees, agree to purchase all Available Production that Mount Gibson can sell to APAC and Shougang Concord respectively, without the approval of Shareholders, at the FOB price of US\$40 per wet metric tonne with a term that expires on 31 December 2008.
Shortfall	those New Shares not validly applied for by Shareholders under their Rights, which will be taken up by the Underwriters pursuant to their respective Underwriting Agreements (if approved by Shareholders and subject to various other conditions).
Shortfall Shares	those New Shares comprising the Shortfall.
Shougang Concord	Shougang Concord International Enterprises Company Limited and in the context of the Shougang Concord Offtake Agreements means Shougang Concord Steel International Trading Co. Ltd. (with Shougang Concord International Enterprises Company Limited as its Guarantor).
Shougang Concord Heads of Agreement	the heads of agreement in relation to the Short Term Offtake Agreements, the Shougang Concord Offtake Agreements, the Underwriting by Shougang Concord and the Placement, dated 31 October 2008 between Mount Gibson and Shougang Concord.

Term	Meaning
Shougang Concord Offtake Agreements	the medium term offtake agreement in respect of the Tallering Peak and Koolan Island mines and the long term offtake agreements in respect of the Tallering Peak, Koolan Island and Extension Hill mines between Shougang Concord and the relevant Mount Gibson subsidiaries under which Shougang Concord will purchase certain proportions of Available Production from January 2009 as described in section 6.4 of this Prospectus and detailed in Schedule 3 to the Explanatory Memorandum.
Shougang Concord Underwriting Agreement	the Underwriting Agreement dated 22 November 2008 between Mount Gibson and Shougang Concord, under which Shougang Concord agrees to underwrite the balance of any Shortfall Shares after APAC has taken up the first 82,900,000 Shortfall Shares, up to a maximum of 50,000,000 Shortfall Shares, as described in section 14.4.
Shougang Concord Underwriting Commitment	the balance of the Shortfall Shares after APAC has subscribed for the first 82,900,000 Shortfall Shares, subject to a maximum of 50,000,000 Shortfall Shares.
Subscription Agreement	the agreement between Mount Gibson and Shougang Concord in respect of the Placement to Shougang Concord as detailed in Schedule 2 to the Explanatory Memorandum.
Takeovers Panel Decision	means the decision of the Australian Takeovers Panel in <i>In the Matter of Mount Gibson Iron Limited</i> [2008] ATP 4 made on 31 March 2008 with reasons published on 7 May 2008 as described in section 6.7(c).
Transaction	means: <ul style="list-style-type: none"> • the entry by Mount Gibson into the Offtake Agreements with each of APAC and Shougang Concord; • the Rights Issue and the Underwriting, by way of separate underwritings by APAC and Shougang Concord, of the Rights Issue; and • the Placement to Shougang Concord, as set out in section 6.
Underwriters	each of Shougang Concord and APAC.

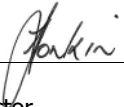
Term	Meaning
Underwriting	the underwriting of the Rights Issue by way of separate underwritings by APAC and Shougang Concord, as agreed in their respective Underwriting Agreements.
Underwriting Agreements	the underwriting agreement between Mount Gibson and Shougang Concord and/or the underwriting agreement between Mount Gibson and APAC (as the context requires) described in section 14.4.
Underwriting Commitments	the APAC Underwriting Commitment and/or the Shougang Concord Underwriting Commitment, as the context requires.
US\$, USD and US dollars	refers to United States of America dollars.
US Person	has the meaning given in the United States Securities Act of 1933.
WDT	Western Daylight Time.

Authorisation

This Prospectus is authorised by each Director of Mount Gibson and signed by Luke Tonkin pursuant to consent under sections 351 and 720 of the Corporations Act.

date 3 December 2008

Signed for and on behalf of
Mount Gibson Iron Limited
By

sign here ►  _____
Director

print name Luke Tonkin

Corporate directory

Registered Office

Level 1, 7 Havelock Street
West Perth 6005, Western Australia

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth 6000, Western Australia

Directors

Neil Hamilton (Non-Executive Chairman)
Luke Tonkin (Managing Director)
Craig Readhead (Non-Executive Director)
Ian Macliver (Non-Executive Director)
Alan Jones (Non-Executive Director)
Cao Zhong (Non-Executive Director)
Alan Rule (CFO and Alternate Director to Luke Tonkin)

Auditors

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth 6000, Western Australia

Legal advisers

Freehills
Level 36, QV1 Building
250 St Georges Terrace
Perth WA 6000

ASX Code

MGX
