



**MOUNT GIBSON IRON LIMITED**

**ABN 87 008 670 817**

**HALF-YEAR FINANCIAL REPORT**

**For the half-year ended**

**31 DECEMBER 2002**

# Annual Financial Report

For The Half-Year Ended 31 December 2002

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# Directors' Report

Your Directors submit their report for the half-year ended 31 December 2002.

## DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Bill Willis (Chairman)

Brian Johnson (Managing Director)

Craig Readhead (Non-Executive Director)

Ian Macliver (Non-Executive Director)

## REVIEW AND RESULTS OF OPERATIONS

During the half-year the Company completed the \$4.53 million acquisition of the Tallering Peak iron deposits in the Mid West region of Western Australia, where it is now progressing the development of a 1.5Mtpa hematite (iron ore) mine. The first shipments of direct shipping grade hematite are planned for the third quarter of 2003, and will coincide with the Geraldton Port Authority completing a major dredging program to accommodate Panamax size vessels for the Company's iron ore exports.

As required by its agreement with the Geraldton Port Authority, the Company placed on deposit \$5 million to guarantee the construction of the iron ore storage facilities at the port. These funds will be released progressively as the storage facilities are built over the next six months.

On 16 December the Company lodged a Prospectus for a fully underwritten, 1 for 1 Rights Issue at 9 cents, to raise \$11.365 million, before costs.

After being unable to sell the retail timber business operated by a wholly owned subsidiary, the business was closed on 30 November and all remaining assets were sold.

The Group recorded a half-year loss of \$1,467,028, the loss for the comparative period in 2001 (\$42,313) was prior to the purchase of Mount Gibson Mining Limited by Mount Gibson Iron Limited.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 14 February 2003 the Company received \$11.365 million from a one for one Rights Issue to Shareholders at 9 cents each. The funds have been utilized to retire loans existing at balance date of \$2.681 million and Convertible Notes totalling \$2.125 million. The balance of the funds will applied to the development of the Tallering Peak iron ore mine and working capital.

Signed in accordance with a resolution of the Directors.



**WB Willis**

**Chairman**

Perth, 14 March 2003.

# Statement of Financial Performance

For The Half-Year Ended 31 December 2002

	Note	CONSOLIDATED	
		2002	2001
		\$	\$
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	2	817,971	829,998
Cost of goods sold (timber business)		(579,143)	(334,722)
Operating expenses (timber business)		(184,625)	(165,056)
Administration expenses		(224,795)	-
Corporate expenses		(193,192)	(112,381)
Borrowing expenses	3	(1,027,454)	(1,186)
Property, plant and equipment sold		(23,396)	(253,160)
Listed investments sold		(52,250)	-
Other expenses		(144)	(5,806)
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(1,467,028)</b>	<b>(42,313)</b>
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF MOUNT GIBSON IRON LIMITED</b>		<b>(1,467,028)</b>	<b>(42,313)</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(1,467,028)</b>	<b>(42,313)</b>
Basic earnings per share (cents per share)		(1.17)	(0.20)
Diluted earnings per share (cents per share)		(1.17)	(0.20)

# Statement of Financial Position

As at 31 December 2002

	Note	CONSOLIDATED	
		As at 31 December 2002 \$	As at 30 June 2002 \$
<b>CURRENT ASSETS</b>			
Cash assets		65,255	3,403,260
Fixed deposit	4	5,000,000	-
Receivables		193,859	1,071,086
Inventory		-	232,817
Other financial assets		-	52,250
Other		38,157	46,818
<b>TOTAL CURRENT ASSETS</b>		<b>5,297,271</b>	<b>4,806,231</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		159,131	159,131
Other financial assets	5	7,223,858	7,223,858
Property, plant and equipment		147,770	190,007
Acquisition, exploration, evaluation and development costs	6	18,034,114	12,355,774
Other		24,310	5,352
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,589,183</b>	<b>19,934,122</b>
<b>TOTAL ASSETS</b>		<b>30,886,454</b>	<b>24,740,353</b>
<b>CURRENT LIABILITIES</b>			
Payables	7	4,564,565	3,877,630
Interest-bearing liabilities	8	2,138,485	12,948
Provisions		1,702	4,819
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,704,752</b>	<b>3,895,397</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	8	2,944,666	76,546
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,944,666</b>	<b>76,546</b>
<b>TOTAL LIABILITIES</b>		<b>9,649,418</b>	<b>3,971,943</b>
<b>NET ASSETS</b>		<b>21,237,036</b>	<b>20,768,410</b>
<b>EQUITY</b>			
Contributed equity		23,164,173	21,228,518
Accumulated losses		(1,927,137)	(460,108)
<b>TOTAL EQUITY</b>		<b>21,237,036</b>	<b>20,768,410</b>

# Statement of Cash Flows

Half-Year Ended 31 December 2002

	<b>CONSOLIDATED</b>	
	<b>2002</b>	<b>2001</b>
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Receipts from customers	795,268	419,218
Payments to suppliers and employees	(1,599,091)	(611,975)
Interest received	87,940	27,090
Borrowing costs	(850,807)	(1,186)
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(1,566,690)</b>	<b>(166,853)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	28,655	322,423
Purchase of property, plant and equipment	(2,256)	(224,998)
Purchase of prospects	(1,005,000)	-
Purchase of short-term deposit	(5,000,000)	-
Proceeds from sale of financial assets	39,586	-
<b>CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b>(5,939,015)</b>	<b>97,425</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	1,019,800	1,092,576
Proceeds from Convertible Notes	650,000	-
Payments for capital raising	(174,799)	(23,769)
Proceeds from borrowings	2,681,381	-
Repayment of borrowings – other	(8,682)	(1,926)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>4,167,700</b>	<b>1,066,881</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(3,338,005)</b>	<b>997,453</b>
Add opening cash brought forward	3,403,260	1,259,968
<b>CLOSING CASH CARRIED FORWARD</b>	<b>65,255</b>	<b>2,257,421</b>

# Notes to the Financial Statements

31 December 2002

## 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2002. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson Iron Limited and its controlled entities during the half-year ended 31 December 2002 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The half-year financial report has been prepared in accordance with the historical cost convention, except for other investments, measured at their fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

	<b>CONSOLIDATED</b>	
	<b>2002</b>	<b>2001</b>
	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>Revenues from operating activities</b>		
Revenue from sale of goods (timber business)	652,906	466,785
Total revenues from operating activities	652,906	466,785
<b>Revenues from non-operating activities</b>		
Rent	-	1,700
Interest – other persons/ corporations	87,940	27,090
Proceeds from disposal of property, plant and equipment	28,655	334,423
Proceeds from sale of listed investments	39,586	-
Other revenue	8,884	-
Total revenues from non-operating activities	165,065	363,213
<b>Total revenues from ordinary activities</b>	<b>817,971</b>	<b>829,998</b>

# Notes continued

31 December 2002

	Note	CONSOLIDATED	
		2002	2001
		\$	\$
<b>3. EXPENSES AND LOSSES</b>			
<b>a) Expenses</b>			
<i>Depreciation of non-current assets</i>			
Plant and equipment		15,478	5,521
Plant and equipment under lease		5,495	3,045
Total depreciation of non-current assets		20,973	8,566
Less: Depreciation capitalised		2,450	-
Total Depreciation expensed		18,523	8,566
<i>Borrowing costs expensed</i>			
Interest expense			
- finance lease		2,137	1,186
- loans		3,389	-
- convertible notes		228,816	-
Other borrowing costs	3 (c)	794,212	-
Total borrowing costs		1,028,554	1,186
Less: Borrowing costs capitalised		1,100	-
Total borrowing costs expensed		1,027,454	1,186
Decrement in value of investments		-	375
Operating lease rental		86,692	25,341
<b>b) Losses/ (gains)</b>			
Net loss/ (gain) on disposal of financial assets		12,664	-
Net loss/ (gain) on disposal of property, plant and equipment		(5,529)	(81,263)

c) An amount of \$700,000 was paid to Jaronach Pty Ltd as fees for assistance in the procurement of a \$5 million bank guarantee required by the Government of Western Australia to support their commitment to a \$100 million dredging program at the port of Geraldton which was necessary for the Talling Peak Hematite Project ( refer Note 4 below).

Jaronach Pty Ltd provided \$2 million of financial support for the cash backed guarantee from 1 August 2002 to 17 February 2003, interest free.

	CONSOLIDATED	
	2002	2001
	\$	\$
<b>4. CASH ON DEPOSIT</b>		
Cash on deposit	5,000,000	-

Under the Port Services Agreement with Geraldton Port Authority the consolidated entity was required to place \$5,000,000 on deposit to support a bank guarantee for the same amount. The guarantee will be reduced, and the funds drawn, progressively as the Iron Ore Storage Facility at Geraldton Port is built. Completion of the building is expected by 31 August 2003.



# Notes continued

31 December 2002

	<b>CONSOLIDATED</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
<b>5. OTHER FINANCIAL ASSETS</b>		
Asia Iron Pty Ltd	7,223,858	7,223,858

Asia Iron Pty Ltd, an associated entity, is carried at deemed cost. Capital gains tax would be payable if this asset was sold at reporting date. It is not held for resale.

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

	<b>CONSOLIDATED</b>	
	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
<b>6. ACQUISITION, EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>		
Talling Peak Hematite	6,210,588	731,644
Mt Gibson Hematite	5,475,859	5,287,100
Mt Gibson Magnetite	6,338,519	6,337,030
Other	9,148	-
	<b>18,034,114</b>	<b>12,355,774</b>

<b>7. PAYABLES</b>		
Trade creditors	1,209,806	779,031
Loans	2,681,381	-
Other creditors	673,378	3,098,599
	<b>4,564,565</b>	<b>3,877,630</b>

<b>8. INTEREST-BEARING LIABILITIES</b>		
<b>Current</b>		
Convertible Notes	2,125,000	-
Other	13,485	12,948
	<b>2,138,485</b>	<b>12,948</b>
<b>Non-current</b>		
Convertible Notes	2,875,000	-
Other	69,666	76,546
	<b>2,944,666</b>	<b>76,546</b>

Current Convertible Notes were redeemed on 17 February 2003 pursuant to a sub-underwriting agreement for the Rights Issue.

## 9. SUBSEQUENT EVENTS

On 14 February 2003 the Company received \$11.365 million from a one for one Rights Issue to Shareholders at 9 cents each. The funds have been utilized to retire loans existing at balance date of \$2.681 million and Convertible Notes totalling \$2.125 million. The balance of the funds will applied to the development of the Talling Peak iron ore mine and working capital.

# Notes continued

31 December 2002

	CONSOLIDATED	
	2002	2001
	\$	\$

## 10. DISCONTINUING OPERATION

During the half-year, Whittakers Timber Pty Ltd ceased operations.

As at 31 December all inventory and most plant & equipment had been sold. The remaining plant & equipment was sold during January. The majority of debtors as at balance date have since been collected and it is expected that all will be recovered prior to year end.

The disposal of plant & equipment gave rise to the following items of revenue and expense during the half-year:

Proceeds from the sale of plant & equipment	28,655	-
Costs of plant & equipment sold	(22,679)	-
Profit on sale of plant & equipment	5,976	-
Related income tax expense	(1,793)	-
Profit on sale (net of income tax expense)	4,183	-

The carrying amounts of total assets to be disposed of and total liabilities to be settled as at 31 December 2002 are as follows:

Total Assets	213,045	-
Total Liabilities	213,045	-
Net Assets	-	-

## 11. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

# Notes continued

31 December 2002

## 12. SEGMENT INFORMATION

### Segment products and locations

The Consolidated Entity operates primarily in the mining sector, through the exploration, evaluation and development of its iron ore deposits in the Mid-West region of Western Australia, however as the mining operations are in the development stage there has been no revenue or results directly attributable to that segment., prior to balance date.

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

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

	Mining		Timber		Other		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
Sales to customers outside the Consolidated Entity	-	-	652,906	466,786	-	-	652,906	466,786
Other revenues from customers outside the Consolidated Entity	-	-	-	-	165,065	363,213	165,065	363,213
<b>Total segment revenue</b>			652,906	466,786	165,065	466,786	817,971	829,998
<b>Results</b>								
Segment result	-		(105,914)	(34,178)	(139,097)	(8,134)	(245,011)	(42,313)
Unallocated expenses							(1,222,017)	-
<b>Net profit/ (loss)</b>							(1,467,028)	(42,313)

## Directors' Declaration

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

In the opinion of the Directors:

- a. the financial statements and notes of the consolidated entity:
  - i) give a true and fair view of the financial position as at 31 December 2002 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'WB Willis', with a stylized flourish at the end.

**WB Willis**

**Chairman**

Perth, March 2003

## INDEPENDENT REVIEW REPORT

To the members of Mount Gibson Iron Limited

### Scope

We have reviewed the financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2002, set out on pages 3 to 11, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Mount Gibson Iron Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Mount Gibson Iron Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001;
- (b) other mandatory professional reporting requirements in Australia.

*Cement + Tony*

Ernst & Young

*V. W. Tidy*

V W Tidy  
Partner  
Perth  
Date: 14 March 2003