



## Mount Gibson Iron Limited

ABN 87 008 670 817



First Floor, 7 Havelock Street  
West Perth 6005, Western Australia

PO Box 55, West Perth WA 6872

Telephone: 61-8-9485 2355

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VIA: [WWW.ASX.ONLINE.COM](http://WWW.ASX.ONLINE.COM)

30 March 2004

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The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

### **SUBJECT: NOTICE OF GENERAL MEETING OF SHAREHOLDERS**

Please find following a Notice of General Meeting to be held on Friday 3 May 2004, which is being mailed to Shareholders today.

Yours sincerely  
MOUNT GIBSON IRON LIMITED

**Angela Dent**  
**Company Secretary**

Enquiries: Mr Brian Johnson  
Managing Director  
Telephone: 08-9485-2355  
E-mail: [brianjohnson@mtgibsoniron.com.au](mailto:brianjohnson@mtgibsoniron.com.au)



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25 March 2004

Dear Shareholder

Please find enclosed a Notice of General Meeting and accompanying Explanatory Statement for a Shareholder Meeting to be held on 3 May 2004.

The General Meeting is being called to seek Shareholder approval for:

1. Options to be issued to key employees and Directors who were instrumental in the acquisition and development of the Tallering Peak Hematite Project, to reward them for their successful efforts (Resolutions 1 – 5);
2. The establishment of an employee share option scheme which will provide incentive and reward to all employees including plant operators, and mine and administration staff (Resolutions 6 – 12) ; and
3. The issue of Shares to fund the pre-development of the Magnetite Projects (Resolutions 13 – 15).

The Explanatory Statement contains further details on each of the Resolutions.

Any queries in relation to the attached Notice of General Meeting and accompanying Explanatory Statement should be directed to Mr Brian Johnson (Managing Director), or myself.

Yours sincerely,  
MOUNT GIBSON IRON LIMITED

**Angela Dent**  
**Company Secretary**



**MOUNT GIBSON IRON LIMITED**

ACN 008 670 817

**NOTICE OF MEETING  
AND  
EXPLANATORY STATEMENT  
TO SHAREHOLDERS**

**NOTICE IS INCLUDED FOR A  
GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
MONDAY, 3<sup>rd</sup> MAY 2004  
AT CELTIC CLUB, FUNCTION ROOM  
48 ORD STREET, WEST PERTH, 6005  
AT 10 A.M.**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety.  
If you do not understand it, or any part of it,  
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are requested to complete  
and return the enclosed Proxy Form without delay to  
Mount Gibson Iron Limited at PO Box 55, West Perth WA 6872  
or by facsimile on facsimile number (+61 8) 9485 2305.**

**NOTICE OF A GENERAL MEETING**

**MOUNT GIBSON IRON LIMITED**

**ACN 008 670 817**

Notice is hereby given that a General Meeting of the Shareholders of Mount Gibson Iron Limited ("Mount Gibson" or "the Company") will be held on the date and at the location and time specified below:

**DATE:** Monday, 3 May 2004  
**LOCATION:** Celtic Club, Function Room  
48 Ord Street, West Perth, 6005  
**TIME:** 10.00 a.m.

Words and phrases used in the Resolutions are defined in the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of Meeting as defined in the Explanatory Statement.

**BUSINESS**

The business to be transacted at the General Meeting is the proposal of Resolutions 1 to 15 as set out below.

**RESOLUTION 1: Approval of Issue of Options to Key Employees**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That pursuant to ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given, to the allotment of 5,000,000 Options over Shares in the Company to key employees of the Company to be exercisable at 22 cents each, on or before 15 October 2005. The issue of Options in the Company will occur no later than 3 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting."*

**RESOLUTION 2: Approval of Issue of Options to a Director, William B. Willis**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That pursuant to Corporations Act section 208 and ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the allotment of 1,500,000 Options over Shares in the Company to William B. Willis or his nominees, the Options to be exercisable at 22 cents each, on or before 15 October 2005. The issue of Options in the Company will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting."*

**RESOLUTION 3: Approval of Issue of Options to a Director, Brian G. Johnson**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That pursuant to Corporations Act section 208 and ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the allotment of 4,000,000 Options over Shares in the Company to Brian G. Johnson or his nominees, the Options to be exercisable at 22 cents each, on or before 15 October 2005. The issue of Options in the Company will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 4: Approval of Issue of Options to a Director, Craig L. Readhead**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That pursuant to Corporations Act section 208 and ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the allotment of 750,000 Options over Shares in the Company to Craig L. Readhead or his nominees, the Options to be exercisable at 22 cents each, on or before 15 October 2005. The issue of Options in the Company will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 5: Approval of Issue of Options to a Director, Ian A. Macliver**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That pursuant to Corporations Act section 208 and ASX Listing Rule 10.11 and for all other purposes, approval be and is hereby given, to the allotment of 750,000 Options over Shares in the Company to Ian A. Macliver or his nominees, the Options to be exercisable at 22 cents each, on or before 15 October 2005. The issue of Options in the Company will occur no later than 1 month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 6: Establishment of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That pursuant to ASX Listing Rule 7.2 (exception 9) and for all other purposes, approval be, and is hereby given, to the establishment of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan in accordance with the Rules in the form set out in Annexure "C" to this Notice of Meeting and signed by the Managing Director by way of identification, and that the Directors be, and are hereby, authorised to administer the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan in accordance with those rules.”*

**RESOLUTION 7: Approval of Issue of Options to a Director, William B. Willis**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 1,000,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to William B. Willis or his nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 8: Approval of Issue of Options to a Director, Brian G. Johnson**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 2,500,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to Brian G. Johnson or his nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 9: Approval of Issue of Options to a Director, Craig L. Readhead**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 500,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to Craig L. Readhead or his nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 10: Approval of Issue of Options to a Director, Ian A. Macliver**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to section 208 of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 500,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to Ian A. Macliver or his nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 11: Approval of Issue of Options to an Associate of a Director, Deborah J. Coulthard**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 500,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to Deborah J. Coulthard or her nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 12: Approval of Issue of Options to an Associate of a Director, Angela M. Dent**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That subject to Resolution 6 being passed and pursuant to ASX Listing Rule 10.14 and for all other purposes, approval be and is hereby given, to the allotment of 750,000 Options over Shares in the Company under the terms of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan to Angela M. Dent or her nominees, the Options to be exercisable at 25 cents each, on or before 31 December 2006. The issue of Options in the Company will occur no later than 12 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**RESOLUTION 13: Ratification of Issue of Shares and Options to Asia Iron Holdings Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, subsequent approval be and is hereby given to the issue to Asia Iron Holdings Limited of 10,000,000 Shares in the Company at an issue price of \$0.20 per Share raising \$2,000,000 and 10,000,000 Options over Shares in the Company, exercisable at 25 cents each on or before 31 December 2004, to finance the pre-development of the Company’s Magnetite Projects held by the Group.”*

**RESOLUTION 14: Ratification of Issue of Shares to Burrows Pty Ltd**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, subsequent approval be and is hereby given to the issue to Burrows Pty Ltd of 1,200,000 Shares in the Company at an issue price of \$0.20 per Share raising \$240,000, to finance the pre-development of the Company’s Magnetite Projects held by the Group.”*

**RESOLUTION 15: Further Issue of Shares and Options to Asia Iron Holdings Limited**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the issue to Asia Iron Holdings Limited of a further 15,000,000 Shares in the Company at an issue price of \$0.20 per Share to raise \$3,000,000 and 15,000,000 Options over Shares in the Company, exercisable at 25 cents each on or before 31 December 2004, to finance the development of the Company’s Magnetite Projects held by the Group. The issue of Shares and Options in the Company will occur no later than 3 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.”*

**VOTING EXCLUSION STATEMENT**

The following voting exclusion statement applies to the Resolutions under the ASX Listing Rules or where applicable, the provisions of the Corporations Act to the following persons (“Excluded Persons”). The Company will disregard any votes on the various Resolutions cast by the following Excluded Persons:

<b>Resolution</b>	<b>Title</b>	<b>Excluded Persons</b>
<b>Resolution 1</b>	Issue of Options to Key Employees	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any Associate of any of those entities or persons.
<b>Resolution 2</b>	Issue of Options to W. B. Willis	Mr. W. B. Willis and any Associate of Mr. W. B. Willis.
<b>Resolution 3</b>	Issue of Options to B. G. Johnson	Mr. B. G. Johnson and any Associate of Mr. B. G. Johnson.
<b>Resolution 4</b>	Issue of Options to C. L. Readhead	Mr. C. L. Readhead and any Associate of Mr. C. L. Readhead.
<b>Resolution 5</b>	Issue of Options to I. A. Macliver	Mr. I. A. Macliver and any Associate of Mr. I. A. Macliver.
<b>Resolution 6</b>	Establishment of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan	All Directors of the Company and any Associates of those Directors.
<b>Resolution 7</b>	Issue of Options to W. B. Willis	All Directors of the Company and any Associates of the Directors.
<b>Resolution 8</b>	Issue of Options to B. G. Johnson	All Directors of the Company and any Associates of the Directors.
<b>Resolution 9</b>	Issue of Options to C. L. Readhead	All Directors of the Company and any Associates of the Directors.
<b>Resolution 10</b>	Issue of Options to I. A. Macliver	All Directors of the Company and any Associates of the Directors.
<b>Resolution 11</b>	Issue of Options to D. J. Coulthard	Ms D. J. Coulthard and any Associate of Ms D. J. Coulthard and all Directors of the Company and any Associates of those Directors.
<b>Resolution 12</b>	Issue of Options to A. M. Dent	Ms A. M. Dent and any Associate of Ms A. M. Dent and all Directors of the Company and any Associates of those Directors.
<b>Resolution 13</b>	Ratification of Issue of Shares and Options to Asia Iron Holdings Limited	Asia Iron Holdings Limited and any Associate of Asia Iron Holdings Limited or any other person or entity that participated in the issue.
<b>Resolution 14</b>	Ratification of Issue of Shares to Burrows Pty Ltd	Burrows Pty Ltd and any Associate of Burrows Pty Ltd or any other person or entity that participated in the issue.



Resolution	Title	Excluded Persons
<b>Resolution 15</b>	Issue of Shares and Options to Asia Iron Holdings Limited	Asia Iron Holdings Limited and any Associate of Asia Iron Holdings Limited and any person or entity who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any Associate of any of those entities or persons.

The Company will disregard any votes cast on these Resolutions by the relevant persons and their associates, unless the vote is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as a proxy person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## PROXIES

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on +61 8 9485 2305;
- post the Proxy Form to the Company at PO Box 55, West Perth WA 6872; or
- deliver the Proxy Form to the registered office of the Company at First Floor, 7 Havelock Street, West Perth WA 6005.

Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.

## INCORPORATION OF EXPLANATORY STATEMENT

The Explanatory Statement to Shareholders is hereby incorporated into and forms part of this Notice of General Meeting.

**If you wish to discuss any aspects of this document with the Company, contact the Company Secretary, Angela Dent on telephone +61 8 9485 2355.**

BY ORDER OF THE BOARD



\_\_\_\_\_  
Angela Dent  
Company Secretary

DATED 25 MARCH 2004



## **EXPLANATORY STATEMENT TO SHAREHOLDERS MOUNT GIBSON IRON LIMITED**

**ACN 008 670 817**

This Statement sets out information about the Resolutions to be considered by the Shareholders at the General Meeting. A short explanation of each Resolution is set out below. Defined terms used in this Statement are set out in Section 3.

### **1. ACTION TO BE TAKEN BY SHAREHOLDERS**

The General Meeting has been convened for the purpose of passing the Resolutions in compliance with the requirements of the ASX Listing Rules and the Corporations Act. Accompanying this Statement is the Notice of Meeting convening the General Meeting and a Proxy Form.

Shareholders are encouraged to attend and vote on each of the Resolutions to be put at the General Meeting. If a Shareholder is not able to attend and vote at the General Meeting the Shareholder may complete the Proxy Form and return it to the registered office of the Company at the address which appears on the Notice of Meeting not later than 48 hours before the time specified for the commencement of the General Meeting.

### **2. RESOLUTIONS**

#### **2.1 Resolutions 1 to 5 – Issue of Options to Key Personnel**

The Company proposes to issue 12 million Options, exercisable at 22 cents each on or before 15 October 2005, to twelve key personnel. The Board believes these personnel were instrumental in the successful acquisition and development of the Tallering Peak iron ore project and should be suitably rewarded for their efforts.

The Tallering Peak iron ore deposit was purchased by the Company in August 2002. The Company's small executive team and a number of specialist contractors have progressed the project through its development phase to the first shipment to Nanjing, China which occurred in February 2004. In only eighteen months the Company has developed the Tallering Peak deposit as a niche iron ore producer.

All ore produced has been pre-sold for the life of the mine which has been set at between eight to ten years.

It is proposed that, subject to the approval of Resolutions 2 to 5, the following persons (or their respective nominees) will be issued the maximum number of free Options to subscribe for ordinary Shares in the Company, exercisable at 22 cents each on or before 15 October 2005:

<b>Name</b>	<b>No. of Options</b>	<b>Latest Exercise Date</b>
<b>W. B. Willis</b> Chairman	1,500,000	15 October 2005
<b>B. G. Johnson</b> Managing Director	4,000,000	15 October 2005
<b>C. L. Readhead</b> Director	750,000	15 October 2005
<b>I. A. Macliver</b> Director	750,000	15 October 2005
<b>TOTAL</b>	<b>7,000,000</b>	<b>15 October 2005</b>

**Table 1:** Details of the number of Options to subscribe for ordinary Shares in the Company, exercisable at 22 cents each on or before 15 October 2005.

The remaining 5,000,000 Options to subscribe for ordinary Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, are to be issued to other key staff members the Board believes were instrumental in the successful acquisition and development of the Talling Peak iron ore project. A listing of the staff members and the number of Options to subscribe for ordinary Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, they are entitled to receive pursuant to Resolution 1 is attached as Annexure A to this Explanatory Statement.

The Options proposed to be issued pursuant to Resolutions 1 to 5 require Shareholder approval pursuant to the Corporations Act and the ASX Listing Rules as detailed in Section 2.2.1 of this Explanatory Statement.

### **2.1.1 Regulatory Requirements**

#### **Corporations Act**

The Directors of the Company are deemed related parties under section 228(2) of the Corporations Act. Accordingly, Resolutions 2 to 5 seek Shareholder approval, for the issue of the Options, pursuant to section 208(1)(a) of the Corporations Act.

The following information is provided to Shareholders in accordance with Section 219 of the Corporations Act to help members assess the merits of the resolution:

- The related parties to whom the proposed resolution would permit the financial benefits to be given are Messrs Willis, Johnson, Readhead and Macliver, all Directors of the Company.
- The financial benefit to be given is the issue of a total of 7,000,000 Options to acquire Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, as detailed in Table 1 above.
- The quantum of the financial benefit will depend in part on the price at which the Shares trade on the ASX. However, based on the exercise price of 22 cents and the share price of the Company's Shares on the ASX on 24 March 2004 of 17.5 cents per Share, the value of the Options, based on their intrinsic value at the date of the General Meeting, has been assessed at nil. More detailed commentary on the value of the Options is set out below.
- As it is proposed that all the Directors participate in the issue of Options, they do not believe it is appropriate for them to make a recommendation as to that issue.
- Messrs Willis, Johnson, Readhead and Macliver, all Directors of the Company, have a direct interest in the outcome of Resolutions 2 to 5, as they are each proposed recipients of the Options referred under the Resolutions.
- The terms of the Options proposed to be issued pursuant to Resolutions 1 to 5 are detailed in Annexure B of this Explanatory Statement.

- (g) Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is the Company's interest to pass Resolutions 1 to 5.

## **ASX Listing Rules**

### *Chapter 7*

Chapter 7 of the ASX Listing Rules deals principally with entities changing their capital, either by issuing securities or re-organising existing capital. Listing Rule 7.1 requires entities to obtain shareholder approval for an increase in capital of greater than 15% in any 12 month period.

The following additional information is provided to Shareholders in accordance with ASX Listing Rule 7.3 to help members assess the merits of the resolution:

- (a) A total of 5,000,000 Options to acquire Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, are proposed to be issued to key employees of the Company as detailed in Annexure A of this Explanatory Statement no later than three months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.
- (b) A total of 7,000,000 Options to acquire Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, as detailed in Table 1 above are proposed to be issued to Messrs Willis, Johnson, Readhead and Macliver no later than one month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.
- (c) The Options are to be granted free.
- (d) Directors to receive the Options are Messrs Willis, Johnson, Readhead and Macliver.
- (e) The relevant notice is required to include a voting exclusion statement which is included in the attached Notice of Meeting.

### *Chapter 10*

As stated above, Listing Rule 7.1 requires entities to obtain shareholder approval for an increase in capital of greater than 15% in 12 months unless an exception within Listing Rule 7.2 applies. Listing Rule 7.1 approval is not required as approval under Listing Rule 10.11 is being sought.

Listing Rule 7.2 exception 14 includes securities issued with the approval of holders of ordinary securities under Listing Rule 10.11. Listing Rule 10.11 provides that a company must not issue equity securities to a related party without the approval of the holders of ordinary securities. The term "related party" for the purposes of this ASX Listing Rule is as defined within the meaning of section 228 of the Corporations Act and includes directors of a public company. Messrs Willis, Johnson, Readhead and Macliver (Resolutions 2 to 5) are Directors of the Company. Approval is therefore sought under Resolutions 2 to 5 inclusive for the purposes of fulfilling the requirements of ASX Listing Rule 10.11.

It is noted Ms D. J. Coulthard and Ms. A. M. Dent are not deemed to be related parties of the Company within the meaning of section 228 of the Corporations Act. Therefore, the Options to acquire Shares in the Company proposed to be issued to Ms D. J. Coulthard and Ms. A. M. Dent, exercisable at 22 cents each on or before 15 October 2005, is included in the total 5,000,000 Options proposed to be issued pursuant to Resolution 1 as noted above and detailed in the attached Annexure A to this Explanatory Statement.

The following additional information is provided to Shareholders in accordance with ASX Listing Rule 10.13 to help members assess the merits of the resolution:

- (a) A total of 7,000,000 Options to acquire Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, as detailed in Table 1 above are proposed to be issued to Messrs Willis, Johnson, Readhead and Macliver.
- (b) The Options will be issued no later than one month, or such later date to the extent permitted by an ASX waiver of the Listing Rules, after the date of the Meeting.
- (c) The Options are to be granted free, that is, no funds will be raised from the issue of the Options.
- (d) The relevant notice is required to include a voting exclusion statement which is included in the attached Notice of Meeting.

### **2.1.2 Who Benefits from the Proposed Issue**

The Option issue will financially benefit each recipient directly. The financial benefits are by way of an allotment of free Options, each to subscribe for an ordinary Share in the Company exercisable at 22 cents each on or before 15 October 2005, as detailed in the table in Annexure A of this Explanatory Statement and Table 1 above pursuant to Resolutions 1 to 5.

### **2.1.3 Share price and Value of the Options**

#### *Value of options*

Based on the share price of the Company's Shares on the ASX on 24 March 2004 of 17.5 cents per Share and the exercise price of the Options 22 cents, the value of the Options based on their intrinsic value has been assessed at nil.

However, it can be argued that options have a value which can be assessed using various theoretical valuation methodologies. These theoretical models are designed to allow for the intrinsic value, the time value of money and the volatility of the share price movement. The most common valuation method is the Black & Scholes valuation model.

#### *The Black & Scholes Method*

In accordance with a policy requirement of ASIC, the Company notes that it attributes a value of 3.59 cents per Option to be issued under the Plan. This value, which was provided to the Company by an independent firm of corporate advisors, was arrived at using the Black & Scholes valuation method. This value would equate to a total value of approximately \$179,500 in respect of the 5,000,000 Options to be issued pursuant to Resolution 1 and approximately \$251,000 in respect of the 7,000,000 Options to be issued pursuant to Resolutions 2 to 5.

The calculation is based on the following inputs and assumptions:

- Share Price - 20.5 cents.
- Exercise price - 22 cents.
- Risk free interest rate – 5.55%.
- Volatility factor of 32% (based on the last three months trading history).
- Expiry date of 15 October 2005.

In deriving the valuation the Black & Scholes model relies upon the following assumptions:

- that the Options are European call options (in that they can only be exercised on the expiry date; unlike an American option, which can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free rate of interest is known and constant throughout the duration of the option contract;

- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black & Scholes model prior to the date the Options are granted would have an impact on their value.

The Options proposed to be issued will only have value if on the date that the Options are exercised, the market price of the Company's shares exceeds the exercise price of the Options. In these circumstances, recipients of the Options will obtain a financial benefit equivalent to the difference between the market value and exercise price.

#### *Dilution Effect*

The issue of 5,000,000 Options proposed to be issued under Resolution 1 and 7,000,000 Options proposed to be issued under Resolutions 2 to 5, will have a diluting effect on the value of Existing Shareholders holdings if the Options are exercised. The dilution effect if all the 5,000,000 proposed to be issued under Resolution 1 are exercised would amount to approximately 1.7% undiluted or 1.3% diluted of the ordinary fully paid Shares on issue, based on the Company's issued share capital as at the last practicable date before printing this Notice of Meeting and assuming that all Share and Option issues under the Resolutions proposed in this Notice of Meeting are approved. The dilution effect if all the 7,000,000 proposed to be issued under Resolutions 2 to 5 are exercised would amount to approximately 2.4% undiluted or 1.8% diluted of the ordinary fully paid Shares on issue, based on the Company's issued share capital as at the last practicable date before printing this Notice of Meeting and assuming that all Share and Option issues under the Resolutions proposed in this Notice of Meeting are approved.

## **2.2 Resolutions 6 to 12 – Establishment of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan**

The Company proposes to establish a share option incentive plan to be known as the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan ("the Plan"). The Options to be issued under the Plan will be issued to eligible persons including Directors, an officer or any full or part-time continuing employee of the Group, and any casual employee or contractor if permitted by ASIC. A copy of the rules of the proposed Plan is attached as Annexure C to this Explanatory Statement.

It is proposed that the first offer of approximately 15,000,000 free Options be made to around 40 persons. Subject to the offeree's continuing employment on 31 December 2005, the Options will be issued on 1 January 2006, and will be exercisable at 25 cents at any time on or before 31 December 2006.

9,050,000 Options to subscribe for ordinary Shares in the Company, exercisable at 25 cents each on or before 31 December 2006, are to be issued to various members of staff at all levels of employment and in all areas of the business including, but not limited to, plant operators, maintenance staff, mine professionals and administration staff. The remaining 5,750,000 Options, exercisable at 25 cents each on or before 31 December 2006, are to be issued to the parties detailed in Table 2 below.

The success of the Company and its Shareholders depends greatly on the people employed by the Company. To maintain and improve performance, the Company has an ongoing need both to motivate and retain an excellent and dedicated management team and key employees.

The Plan will provide a useful means to achieve this goal and implementation of the Plan will:

- provide an incentive to employees to work to improve the performance of the Company;
- attract and retain valued employees essential for the continued growth and development of the Company;
- establish a sense of ownership in the Company for the employees;
- promote and foster loyalty and support amongst employees for the benefit of both the employees and the Company;
- enhance the relationship between the Company and its employees for the long term mutual benefit of all parties; and
- enable the Company to attract high calibre individuals, who can bring expertise to the Company.

It is proposed that, subject to the adoption of the Plan, the following persons (or their respective nominees) will be issued the following free Options to subscribe for ordinary Shares in the Company, exercisable at 25 cents each on or before 31 December 2006:

<b>Name</b>	<b>No. of Options</b>	<b>Latest Exercise Date</b>
<b>W. B. Willis</b> Chairman	1,000,000	31 December 2006
<b>B. G. Johnson</b> Managing Director	2,500,000	31 December 2006
<b>C. L. Readhead</b> Director	500,000	31 December 2006
<b>I. A. Macliver</b> Director	500,000	31 December 2006
<b>D. J. Coulthard</b> Commercial Manager	500,000	31 December 2006
<b>A. M. Dent</b> Company Secretary	750,000	31 December 2006
<b>TOTAL</b>	<b>5,750,000</b>	<b>31 December 2006</b>

**Table 2:** Details of the number of Options to subscribe for ordinary Shares in the Company, exercisable at 25 cents each on or before 31 December 2006.

The Options proposed to be issued under the Plan to the persons listed in the table above require Shareholder approval pursuant to the Corporations Act and the ASX Listing Rules as detailed in Section 2.1.1 of this Explanatory Statement.

### **2.2.1 Regulatory Requirements**

#### **Corporations Act - Chapter 2E**

The objective of Part 2E.1 of Chapter 2E of the Corporations Law is to protect the interest of a public company's members as a whole, by requiring member approval for giving financial benefits to related parties that could endanger those interests.

Under the Corporations Law a reference to the giving of a "financial benefit" is intended to operate broadly and in deciding whether a financial benefit has been given, the economic and commercial substance and effect of what a company has done is to prevail over its legal form, and any consideration that has been, or may be given for the financial benefit is to be disregarded, even if it is full, or adequate. The Corporations Law sets out several examples of the giving of financial

benefits by a company, and amongst these is the issuing of securities and the granting of an option to a related party.

The Directors of the Company are deemed related parties under section 228(2) of the Corporations Act. Accordingly, Resolutions 7 to 10 seek Shareholder approval, for the issue of the Options, pursuant to section 208(1)(a) of the Corporations Act.

The following information is provided to Shareholders in accordance with section 219 of the Corporations Act to help members assess the merits of the resolution:

- (a) The related parties to whom the proposed resolution would permit the financial benefits to be given are Messrs Willis, Johnson, Readhead and Macliver, all Directors of the Company.
- (b) The financial benefit to be given is the issue of a total of 4,500,000 Options to acquire Shares in the Company under the Plan as detailed in Table 2 above.
- (c) The quantum of the financial benefit will depend in part on the price at which the Shares trade on the ASX. However, based on the exercise price of 25 cents and the closing share price of the Company's Shares on the ASX on 24 March 2004 of 17.5 cents per Share, the value of the Options, based on their intrinsic value at the date of the General Meeting, has been assessed at nil. More detailed commentary on the value of the Options is set out below.
- (d) As it is proposed that all the Directors participate in the issue of Options, they do not believe it is appropriate for them to make a recommendation as to that issue.
- (e) Messrs Willis, Johnson, Readhead and Macliver, all Directors of the Company, have a direct interest in the outcome of Resolutions 6 to 10, as they are each proposed recipients of the Options referred under the Resolutions.
- (f) Other than the material set out in this Explanatory Statement, the Directors are not aware of any other information which members of the Company would reasonably require in order to decide whether or not it is in the Company's interest to pass Resolutions 6 to 12.

## **ASX Listing Rules**

### *Chapter 7*

Chapter 7 of the ASX Listing Rules deals principally with entities changing their capital, either by issuing securities or re-organising existing capital. Listing Rule 7.1 requires entities to obtain shareholder approval for an increase in capital of greater than 15% in 12 months unless an exception within Listing Rule 7.2 applies.

Listing Rule 7.2 Exception 9 includes securities issued under an employee incentive scheme where the scheme was approved within 3 years prior to the issue and the Notice to the Meeting included:

- a summary of the terms of the scheme (included in Annexure C);
- the number of Securities issued under the scheme since the date of last approval (not applicable); and
- a voting exclusion statement (contained in the attached Notice of Meeting).

### *Chapter 10*

Chapter 10 of the ASX Listing Rules contains provisions in relation to transactions between a company and 'persons in a position of influence'. Listing Rule 10.14 provides that a company must not issue equity securities under an employee incentive scheme to a director of the entity, an associate of a director or to a person whose relationship with a director or an associate of a director is, in ASX's opinion, such that shareholder approval should be obtained without the approval of the holders of ordinary securities by ordinary resolution.



The term “related party” for the purposes of this ASX Listing Rule is as defined within the meaning of section 228 of the Corporations Act and includes a person whose relationship with the entity or a related party is in ASX’s opinion, such that approval should be obtained. The term “associate” for the purposes of this ASX Listing Rule is as defined within the meaning of section 11 and sections 13 to 17 of the Corporations Act.

Messrs Willis, Johnson, Readhead and Macliver (Resolutions 7 to 10) are Directors of the Company, Ms Coulthard and Ms Dent (Resolutions 11 and 12) are associates of Mr. Johnson, as defined by Listing Rule 10.14.2, as they each are Directors of entities of which Mr. Johnson is also a Director. Approval is, therefore, sought under Resolutions 6 to 12 inclusive for the purposes of fulfilling the requirements of ASX Listing Rule 10.14.

The following additional information is provided to Shareholders in accordance with ASX Listing Rule 10.15 to help members assess the merits of the Resolutions:

- (a) A total of 5,750,000 Options to acquire Shares in the Company are proposed to be issued to Messrs Willis, Johnson, Readhead and Macliver, Ms Coulthard and Ms Dent as detailed in Table 2 above.
- (b) The Options will be issued no later than twelve months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.
- (c) The Options are to be granted free.
- (d) Directors entitled to participate in the scheme are Messrs Willis, Johnson, Readhead and Macliver.
- (e) Associates of Directors entitled to participate in the scheme are Ms Coulthard and Ms Dent.
- (f) There are no loans to be made in relation to the acquisition of the Options, or for their exercise.
- (g) The relevant notice is required to include a voting exclusion statement which is included in the attached Notice of Meeting.

### **2.2.2 Who Benefits from the Proposed Issue**

The Option issue will financially benefit each recipient directly. The financial benefits are by way of an allotment of free Options, each to subscribe for an ordinary Share in the Company on the terms and conditions of the Plan and as set out in the respective Resolutions.

### **2.2.3 Share Price and Value of the Options**

#### *Value of options*

Based on the closing share price of the Company’s Shares on the ASX on 24 March 2004 of 17.5 cents per Share and the exercise price of the Options 25 cents, the value of the Options based on their intrinsic value has been assessed at nil.

However, it can be argued that options have a value which can be assessed using various theoretical valuation methodologies. These theoretical models are designed to allow for the intrinsic value, the time value of money and the volatility of the share price movement. The most common valuation method is the Black & Scholes valuation model.

#### *The Black & Scholes Method*

In accordance with a policy requirement of ASIC, the Company notes that it attributes a value of 4.13 cents per Option to be issued under the Plan. This value, which was provided to the Company by an independent firm of corporate advisors, was arrived at using the Black & Scholes valuation method. This value would equate to a total value of approximately \$611,000 in respect of the 14,800,000 Options to be issued under the Plan or a value of approximately \$237,500 in respect of the 5,750,000 Options proposed to be issued pursuant to Resolutions 7 to 12.

The calculation is based on the following inputs and assumptions:

- Share Price - 20.5 cents.
- Exercise price - 25 cents.
- Risk free interest rate – 5.55%.
- Volatility factor of 32% (based on the last three months trading history).
- Expiry date of 31 December 2006.

In deriving the valuation the Black & Scholes model relies upon the following assumptions:

- that the Options are European call options (in that they can only be exercised on the expiry date; unlike an American option, which can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free rate of interest is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black & Scholes model prior to the date the Options are granted would have an impact on their value.

The Options proposed to be issued will only have value if on the date that the Options are exercised, the market price of the Company's shares exceeds the exercise price of the Options. In these circumstances, recipients of the Options will obtain a financial benefit equivalent to the difference between the market value and exercise price.

#### *Dilution Effect*

The issue of Options under the Plan will have a diluting effect on the value of Existing Shareholders' holdings if the Options are exercised. The dilution effect if all the 14,800,000 Options to be issued under the first offer of the Plan are exercised would amount to approximately 5.0% undiluted or 3.8% diluted of the ordinary fully paid Shares on issue, based on the Company's issued share capital as at the last practicable date before printing this Notice of Meeting and assuming that all Share and Option issues under the Resolutions proposed in this Notice of Meeting are approved. The dilution effect if all the 5,750,000 Options to be issued under Resolutions 7 to 12 are exercised would amount to approximately 1.9% undiluted or 1.5% diluted of the ordinary fully paid Shares on issue, based on the Company's issued share capital as at the last practicable date before printing this Notice of Meeting and assuming that all Share and Option issues under the Resolutions proposed in this Notice of Meeting are approved.

### **2.3 Resolutions 13 And 14 – Ratification of Issue of Shares and Options to Asia Iron Holdings Limited and Ratification of Issue of Shares to Burrows Pty Ltd**

Resolution 13 relates to the ratification of the issue to Asia Iron Holdings Limited of 10,000,000 Shares in the Company at an issue price of \$0.20 per Share raising \$2,000,000 and 10,000,000 free Options over Shares in the Company, exercisable at 25 cents each on or before 31 December 2004, pursuant to ASX Listing Rule 7.4.

Resolution 14 relates to the ratification of the issue to Burrows Pty Ltd of 1,200,000 Shares in the Company at an issue price of \$0.20 per Share raising \$240,000 pursuant to ASX Listing Rule 7.4.

The \$2,000,000 raised from the issue of Shares to Asia Iron Holdings Limited and the \$240,000 raised from the issue of Shares to Burrows Pty Ltd have been/will be used in the following areas:

Drilling of Koolanooka magnetite deposit	\$500,000
Drilling of Mt Gibson (Iron Hill) magnetite deposit	\$500,000
Assay and metallurgical test work of magnetite samples	\$200,000
Preliminary design of 2.5 Mtpa magnetite concentrator	\$100,000
Environmental studies of Koolanooka and Iron Hill deposits	\$150,000
Project management and preliminary mine planning for Koolanooka and Iron Hill deposits	\$150,000
Working capital	\$640,000
<b>Total</b>	<b>\$2,240,000</b>

### **2.3.1 Regulatory Requirements**

Pursuant to Listing Rule 7.4, where a company in a general meeting ratifies a previous issue of securities which was made without approval under Listing Rule 7.1 and the previous issue did not breach Listing Rule 7.1, those securities shall be deemed to have been made with Shareholder approval for the purposes of ASX Listing Rule 7.1.

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) 10,000,000 Shares in the Company at an issue price of \$0.20 per Share and 10,000,000 free Options over Shares in the Company, exercisable at 25 cents per share on or before 31 December 2004, have been issued to Asia Iron Holdings Limited pursuant to Resolution 13.
- (b) 1,200,000 Shares in the Company at an issue price of \$0.20 per Share have been issued to Burrows Pty Ltd.
- (c) All of the Shares referred to in Resolutions 13 and 14 will, on issue, rank equally in all respects with the Existing Shares already on issue.
- (d) The use of the funds raised is included in section 2.3 above.
- (e) An appropriate voting exclusion statement is included in the attached Notice of Meeting.
- (f) The terms of the Options issued to Asia Iron Holdings Limited pursuant to Resolution 13 are detailed in Annexure D of this Explanatory Statement.

### **2.4 Resolutions 15 – Further Issue of Shares and Options to Asia Iron Holdings Limited**

Resolution 15 seeks approval from Shareholders to issue to Asia Iron Holdings Limited a further 15,000,000 Shares in the Company at an issue price of \$0.20 per Share to raise \$3,000,000 and 15,000,000 free Options over Shares in the Company, exercisable at 25 cents each on or before 31 December 2004, pursuant to ASX Listing Rule 7.1. The funds raised will be applied in the following areas:

Infill drilling of Koolanooka magnetite deposit	\$1,000,000
Infill drilling of Mt Gibson (Iron Hill) magnetite deposit	\$500,000
Assay and metallurgical test work of magnetite samples	\$200,000
Production of concentrate samples	\$100,000
Advanced design of 2.5 Mtpa magnetite concentrator	\$250,000
Project management and preliminary mine planning for either Koolanooka or Iron Hill deposits	\$400,000
Working capital	\$550,000
<b>Total</b>	<b><u>\$3,000,000</u></b>

### 2.4.1 Regulatory Requirements

Under Chapter 7 of the ASX Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities, without shareholder approval. The limitation is to 15% of a company's capital in any 12 month period.

ASX Listing Rule 7.1 provides that a company must not without shareholder approval, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Listing Rule 7.3 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.1:

- (a) 15,000,000 Shares in the Company at an issue price of \$0.20 per Share and 10,000,000 free Options over Shares in the Company, exercisable at 25 cents each on or before 31 December 2004, are proposed to be issued to Asia Iron Holdings Limited.
- (b) The issue of Shares and Options in the Company to Asia Iron Holdings Limited pursuant to Resolution 15 will occur no later than 3 months, or such later date to the extent permitted by an ASX waiver of the Listing Rules, from the date of the General Meeting.
- (c) The terms of the Options to be issued to Asia Iron Holdings Limited pursuant to Resolution 15 are detailed in Annexure D of this Explanatory Statement.
- (d) All of the Shares in Resolution 15 proposed to be issued to Asia Iron Holdings Limited will, on issue, rank equally in all respects with the Existing Shares already on issue.
- (e) The use of the funds raised is included in Section 2.4 above.
- (f) An appropriate voting exclusion statement is included in the attached Notice of Meeting.

## 2.5 Other Information

### 2.5.1 Proposed Capital Structure on Completion of the Resolutions

The proposed capital structure of the Company on completion of all Resolutions is as follows:

DESCRIPTION	RESOLUTION	NUMBER OF SHARES	NUMBER OF OPTIONS	NUMBER OF CONVERTIBLE NOTES
<b>Existing Shares</b>		282,565,822		
<b>Unlisted Securities</b>				
Exercisable at 15.84 cents on or before 28/02/2006			20,883,332	
Exercisable at 22 cents on or before 15/10/2005			18,800,000	
Exercisable at 25 cents on or before 31/12/2004			10,000,000	
Convertible Notes				9,583,333 ****
<b>PROPOSED SECURITY ISSUES</b>				
Issue of Options to Key Employees	Resolutions 1 to 5		12,000,000	*
Employee Option Plan	Resolutions 6 to 12		14,800,000	**
Issue of Shares and Options to Asia Iron Holdings Limited	Resolution 15	15,000,000	15,000,000	***
<b>TOTAL PROPOSED CAPITAL</b>		<b>297,565,822</b>	<b>91,483,332</b>	<b>9,583,333</b>

\* Options exercisable at 22 cents, on or before 15 October 2005.

\*\* Options exercisable at 25 cents, on or before 31 December 2006.

\*\*\* Options exercisable at 25 cents, on or before 31 December 2004.

\*\*\*\* Convertible Notes are convertible at the option of the holder into Shares at \$0.30 per share, with an interest rate of 10% at 6 monthly intervals from 31 December 2002 to 31 December 2005.

### 2.5.2 Directors' Interests

#### Remuneration

Details of the nature and amount of each element of remuneration of each Director of the Company for the six months ended 31 December 2003 was as follows:

	W. B. Willis	B. G. Johnson	C. L. Readhead	I. A. Macliver	Total
<b>Wages</b>	-	107,610	-	-	107,610
<b>Superannuation</b>	2,064	-	1,486	1,486	5,036
<b>Director Fees</b>	22,936	-	16,512	16,512	55,960
<b>Consulting Fees</b>	17,256	-	-	-	17,256
<b>Allowance</b>	-	21,653	-	-	21,653
<b>Total</b>	<b>42,256</b>	<b>129,263</b>	<b>17,998</b>	<b>17,998</b>	<b>207,516</b>

### *Interests in Shares and Options of the Company*

Annexure E details the interests of the Directors in the Existing Shares and Options on issue, as detailed in Section 2.5.1 above, as at the last practicable date before printing this Notice of Meeting.

Annexure F details the interests of the Directors in the proposed capital structure of the Company on completion of all Resolutions.

### **2.5.3 Action to be Taken by Shareholders**

Attached to the Notice of Meeting accompanying this Explanatory Statement is a proxy form for the use by Shareholders. All Shareholders are invited and encouraged to attend the General Meeting or, if they are unable to attend in person and are eligible to vote, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of Meeting.

Should any Shareholder be in doubt as to how they should vote on these Resolutions and/or as to how they may affect them, Shareholders should seek advice from their accountant, solicitor or other professional adviser as soon as possible. Queries as to the lodgement of proxies and other formalities in relation to the General Meeting should be directed to the Company Secretary, Angela Dent on telephone: +61 8 9485 2355.

### **2.5.4 Share Price History**

The trading history of the Company's shares over the last four months is as follows:

	<b>Low</b>	<b>High</b>	<b>Close</b>
<b>November 2003</b>	17 cents	21 cents	19 cents
<b>December 2003</b>	17 cents	22 cents	21.5 cents
<b>January 2004</b>	19 cents	22.5 cents	20.5 cents
<b>February 2004</b>	18.5 cents	22.5 cents	21 cents

The closing share price of the Company on 24 March 2004 was 17.5 cents.

### **2.5.5 ASIC and ASX's Role**

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX and ASIC is not to be taken as an indication of the merits of the Resolutions. ASIC, ASX and its respective officers take no responsibility for any decision an Existing Shareholder may make in reliance on any of that documentation.

## **3. DEFINITIONS**

In this Explanatory Statement:

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning set out in sections 11 to 17 of the Corporations Act.

**ASX** means Australian Stock Exchange Limited ACN 008 624 691.

**Board** means the Board of Directors of the Company.

**Business Day** means a day that is not a Saturday or Sunday, or a public holiday or bank holiday in Western Australia.

**Company** means Mount Gibson Iron Limited ACN 008 670 817.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Existing Shares** means the issued ordinary shares in the Company on issue at the date of the General Meeting.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Group** means the Company and all subsidiaries of the Company.

**General Meeting** means the meeting of the Shareholders convened for the purposes (including others) of considering the Resolutions contained in the Notice of Meeting.

**Listing Rules** means the Listing Rules of the ASX.

**Meeting** means the meeting of the Shareholders convened for the purposes (including others) of considering the Resolutions contained in the Notice of Meeting.

**Notice of Meeting** means the notice convening the General Meeting accompanying this Explanatory Statement.

**Option** means an issued option to acquire an Ordinary Share in the capital of the Company subject to the terms and conditions of issue of the option.

**Proxy Form** means the form of proxy accompanying this Notice of Meeting.

**Related Party** means a party so defined by section 228 of the Corporations Act.

**Resolution** means a resolution proposed to be passed at the General Meeting and contained in the Notice of Meeting.

**Section** means a section of this Explanatory Statement.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a person entered in the Company's register as a holder of a Share.

**Shareholder Approval** means in relation to a Resolution approval of the shareholders of the Company in general meeting in accordance with the requirements of the Corporations Act and the Listing Rules applicable to the Resolution.

**Statement** means this Explanatory Statement to Shareholders of Mount Gibson Iron Limited.

## ANNEXURE A

Included in the table below are the key employees of the Company entitled to receive Options to subscribe for ordinary Shares in the Company, exercisable at 22 cents each on or before 15 October 2005, pursuant to Resolution 1.

<b>Employee</b>	<b>Title</b>	<b>Number of Options*</b>
James Tyers	Operations Manager	1,000,000
Angela Dent	Company Secretary	1,000,000
Sheldon Coates	Exploration Manager	750,000
Deborah Coulthard	Commercial Manager	750,000
Warwick Davies	Marketing Manager	750,000
Keith Bethell	Plant Manager	250,000
Jacqueline Martin	Senior Bookkeeper	250,000
Ingrid Laudzevics	Administration Assistant	250,000
<b>TOTAL</b>		<b><u>5,000,000</u></b>

\* Options to subscribe for an ordinary Share in the Company exercisable at 22 cents each on or before 15 October 2005.



## ANNEXURE B

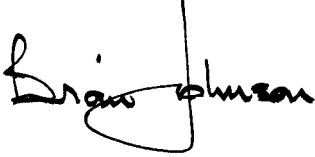
### Rights Attaching to the Options to be Issued Pursuant to Resolutions 1 to 5

The terms of the Options proposed to be issued under Resolutions 1 to 5 are as follows:

- (a) Each Option will entitle the holder to subscribe for one Share.
- (b) The Options will be exercisable at any time during the period beginning on the date of issue of the Options and expiring at 5pm (Perth time) on 15 October 2005 ("Expiry Date") by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by the exercise price for the number of Options specified in the notice and the certificate for those Options, for cancellation by the Company.
- (c) The exercise price for each Option will be \$0.22 payable in cash.
- (d) The Options will be transferable.
- (e) The Company may apply for official quotation of the Options on ASX, subject to the requirements of the ASX Listing Rules.
- (f) All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for quotation by ASX of all Shares issued upon exercise of the Options.
- (g) Option holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice to the Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (h) If there is a bonus share issue ("Bonus Issue") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the options holder would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue, rank *pari passu* in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- (i) There will be no change to the exercise price of an Option or the number of Shares over which an Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a Bonus Issue).
- (j) If, prior to the expiry of any Options, there is a re-organisation of the issued capital of the Company, Options will be re-organised in accordance with the Listing Rules.
- (k) The Options will not confer any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options.

## ANNEXURE C

This is the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Person Option Plan proposed to be adopted at a General Meeting of the Company to be held on the 3<sup>rd</sup> day of May, 2004.



.....  
Managing Director

### **RULES OF THE MOUNT GIBSON IRON LIMITED DIRECTORS, OFFICERS, EMPLOYEES AND OTHER PERMITTED PERSONS OPTION PLAN**

#### **1. PURPOSE OF THE PLAN**

The Board of the Company proposes to introduce a Directors, Officers, Employees and Other Permitted Persons Option Plan ("Plan") for the purpose of:-

- (a) providing Eligible Persons with an additional incentive to work to improve the performance of the Company;
- (b) attracting and retaining Eligible Persons essential for the continued growth and development of the Company;
- (c) promoting and fostering loyalty and support amongst Eligible Persons for the benefit of the Company; and
- (d) enhancing the relationship between the Company and Eligible Persons for the long term mutual benefit of all parties.

#### **2. COMMENCEMENT**

Subject to the passing of an ordinary resolution by the shareholders of the Company authorising the establishment of the Plan at a General Meeting of the Company to be held on 3 May 2004 and to due compliance with Chapter 6D of the Corporations Act, the Plan shall take effect from such date subsequent to that meeting as resolved by the Board.

#### **3. DEFINITIONS**

3.1 In these Rules, unless the contrary intention appears:-

**"Associate Company"** means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Act;

**"ASX"** means Australian Stock Exchange Limited;

**"Board"** means the directors acting as the board of directors of the Company;

**“Business Day”** means a day on which the stock market of ASX is open for trading securities;

**“Certificate”** means the certificate issued by the Company to a Holder in respect of an Option;

**“Change of Control Event”** means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board;

**“Company”** means Company Limited;

**“Corporations Act”** means the Corporations Act 2001;

**“Director”** means a director of a Group Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

**“Eligible Person”** means a person who is:-

- (a) a Director; or
- (b) an officer or any full or part-time continuing employee of a Group Company (including bodies corporate); or
- (c) a casual employee or contractor if permitted by ASIC.

**“Exercise Price”** means, in relation to an Option, the subscription price per Share, determined in accordance with clause 14, payable by a Holder on exercise of the Option;

**“Expiry Date”** means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time;

**“Group”** means collectively the Company and each Associated Company;

**“Group Company”** means the Company or any Associated Company;

**“Holder”** means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;

**“Issue Date”** means, in relation to an Option, the date on which the Company grants that Option;

**“Listing Rules”** means the Official Listing Rules of ASX;

**“Offer Period”**, in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression of section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the Offer Period shall be deemed to have commenced at the time of that announcement;

**“Option”** means an Option issued under the Plan to subscribe (subject to clauses 13.2 and 13.4) for a Share;

**“Permanent Disablement”** means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;

**“Permitted Nominee”** has the meaning given to it by clause 7.3;

**“Plan”** means the Company Limited Directors, Officers, Employees and Other Permitted Persons Option Plan established in accordance with these Rules;

**“Redundancy”** means, in relation to an Eligible Person, a determination by the Board that the relevant Group Company’s need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of any Group Company of his own accord);

**“Retirement”** means, in relation to an Eligible Person, retirement by that Eligible Person from any Group Company at age 60 or over or such earlier age as considered appropriate by the Board;

**“Rules”** means these rules, as amended from time to time;

**“Series”** means, in relation to Options, Options with a common Issue Date;

**“Shares”** means fully paid ordinary shares in the capital of the Company;

- 3.2 Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.
- 3.3 The singular includes the plural and vice versa.
- 3.4 A reference to a gender includes all genders.
- 3.5 An expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.

#### **4. ESTABLISHMENT AND TERMINATION OF THE PLAN**

- 4.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.
- 4.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 4.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

**5. NUMBER OF OPTIONS TO BE ISSUED**

5.1 The Company shall not offer or issue Options to any Eligible Person in accordance with the Plan if the total number of shares the subject of the Options, when aggregated with:-

- (a) the number of shares in the same class which would be issued were each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to the Plan or any other employee or executive share plan extended only to Eligible Persons, to be accepted or exercised (as the case may be); and
- (b) the number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee or executive share plan extended only to Eligible Persons,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or by way of excluded offer or invitation (made prior to 13 March 2000) offers that do not need disclosure because of section 708; and options over shares where the option has expired) would exceed 5% of the total number of issued shares in the Company as at the time of the proposed offer or issue.

**6. ENTITLEMENT TO PARTICIPATE**

6.1 The Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. In making that determination, the Board must consider, where appropriate:-

- (a) the seniority of the Eligible Person and the position the Eligible Person occupies within the Group;
- (b) the length of service of the Eligible Person with the Group;
- (c) the record of employment of the Eligible Person with the Group;
- (d) the contractual history of the Eligible Person with the Group;
- (e) the potential contribution of the Eligible Person to the growth of the Group;
- (f) the extent (if any) of the existing participation of the Eligible Person (or any Permitted Nominee in relation to that Eligible Person) in the Plan; and
- (g) any other matters which the Board considers relevant.

6.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

6.3 Unless otherwise determined by the Board having regard to the potential contribution of a person to the business of the Group and any other relevant factors, no Eligible Person shall be entitled to participate in the Plan unless that Eligible Person has been in

continuous employment with, or an officer or director of a Group Company for at least 6 months prior to the Issue Date.

## **7. OFFER OF OPTIONS**

7.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Persons at such times and on such terms as the Board considers appropriate. Each offer must state or include:-

- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (b) the Exercise Price of the Options;
- (c) the period within which the offer may be accepted;
- (d) a copy of the Plan;
- (e) an undertaking to provide the Eligible Person with verbal advice of the current market price of the Shares within two Business Days of request made by the Eligible Person at any time prior to the Expiry Date;
- (f) confirmation that the offer document has been or will be provided to ASIC within seven days after the provision of this material to the Eligible Person; and
- (g) any other matters which the Board may determine.

7.2 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer:-

- (a) accept the whole or any lesser number of Options offered by notice in writing to the Board; or
- (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.

7.3 Upon:-

- (a) receipt of the acceptance referred to in clause 7.2(a); or
- (b) the Board resolving to allow a renunciation of an offer in favour of a nominee ("Permitted Nominee") and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Board,

then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be issued Options subject to these Rules.

7.4 Certificates for Options will be dispatched within 10 Business Days after their Issue Date.

- 7.5 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

**8. QUOTATION**

- 8.1 The Company may apply for Official Quotation of any Options subject to compliance with the ASX Listing Rules.
- 8.2 The Company must apply for Official Quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment.

**9. EXERCISE OF OPTIONS**

- 9.1 Subject to these Rules, Options may be exercised at any time after a date to be determined by the Board and set out in the offer document and on or before the Expiry Date.
- 9.2 Notwithstanding clause 10.1, all Options may be exercised:-
- (a) during an Offer Period; or
  - (b) at any time after a Change of Control Event has occurred; or
  - (c) at any time after the announcement of a proposed reorganisation of capital of the kind referred to in clause 13.4.
- 9.3 Options not exercised on or before the Expiry Date will automatically lapse.
- 9.4 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:-
- (a) the Exercise Price for the number of Options specified in the notice; and
  - (b) the Certificate for those Options, for cancellation by the Company.
- The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, clearance of that cheque).
- 9.5 Subject to clause 10.3, within 10 Business Days after the notice referred to in clause 10.4 becoming effective, the Board must:-
- (a) allot and issue the number of Shares specified in the notice to the Holder;
  - (b) cancel the Certificate for the Options being exercised; and
  - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

**10. SHARES ALLOTTED ON EXERCISE OF OPTIONS**

All Shares allotted upon exercise of Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the Holders to participate fully in:-

- (a) dividends declared by the Company after the date of allotment; and
- (b) all issues of securities made or offered pro rata to holders of Shares.

**11. CEASING TO BE AN ELIGIBLE PERSON**

11.1 Subject to Listing Rule 6.12, Options issued pursuant to the Plan will be allotted on the condition that the whole of the Options issued to an Eligible Person automatically lapse and are forfeited if that Eligible Person is dismissed from employment with the Company for any one or more of the following reasons (or voluntarily resigns in circumstances where the board believes the Eligible Person conducted him or herself as specified in (a) – (d) below):-

- (a) wilful misconduct bringing disrepute on the Company or Associate Company;
- (b) repeated disobedience, after prior written warning;
- (c) incompetence in the performance of duties for which the Eligible Person was employed, after prior written warning;
- (d) fraud or any other dishonesty in respect of the property or affairs of the Company or Associate Company; or
- (e) any other reason, based on which the Directors believe is fair and reasonable to warrant the lapsing and forfeiture of the Options.

11.2 If at any time prior to the first anniversary of the Issue Date an Eligible Person voluntarily resigns from employment with the Company otherwise than to take up employment with an Associate Company, or ceases to be an Eligible Person on account of Retirement, Permanent Disability, Redundancy or death the whole of the Options issued to that Eligible Person automatically lapse and are forfeited.

11.3 If at any time after the first anniversary of the Issue Date and prior to the Expiry Date of those Options an Eligible Person voluntarily resigns from employment with the Company otherwise than to take up employment with an Associate Company, or ceases to be an Eligible Person on account of Retirement, Permanent Disability, Redundancy or death the whole of the Options issued to that Eligible Person automatically lapse and are forfeited if that Eligible Person or if appropriate, his Permitted Nominee fails to exercise any or all of those Options within a period of three (3) months from the date provided in the certificate issued pursuant to clause 12.4 below.

11.4 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.



- 11.5 Subject to clause 12.2 above, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's legal personal representative may:-
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
  - (b) whether or not he becomes so registered, exercise those Options as if he were the Holder of them in accordance with these Rules; and
  - (c) if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

## **12. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES**

### **12.1 New Issues**

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

### **12.2 Bonus Issues**

If there is a bonus share issue ("Bonus Issue") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank *pari passu* in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

### **12.3 Pro Rata Issues**

There will be no change to the exercise price of an Option or the number of Shares over which an Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a Bonus Issue).

### **12.4 Reorganisation of Capital**

If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, Options will be reorganised in accordance with the Listing Rules.

### **12.5 Advice**

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 13.2 or 13.4.

**13. EXERCISE PRICE OF OPTIONS**

The Exercise Price of each Option will be determined by the Board when it resolves to offer the Option and will be not less than:-

- (a) \$0.20; or
- (b) at least 80% of the average closing sale price of the Shares on ASX over the five trading days immediately preceding the day of issue of Options by the Board.

**14. AMENDMENTS TO THE RULES**

The Board may alter, delete or add to these Rules at any time (save for the provisions of clause 5), but, where the Company is admitted to the Official List of ASX, its resolution to do so has no effect unless the requirements of the Listing Rules in relation to the alteration, deletion or addition have been complied with.

**15. NOTICES**

Notices may be given by the Company to any Holder either personally or by sending by post to his address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices for any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or Secretary of the Company. A Notice of Exercise shall not be deemed to be served on the Company until actually received.

**16. RIGHTS OF EMPLOYEES**

The Plan shall not form part of any contract of employment between the Company and any of its employees and shall not confer directly or indirectly on any employee any legal or equitable rights whatsoever against the Company.

**17. POWERS OF THE BOARD**

The Plan shall be administered by the Board who shall have power to:-

- (a) determine procedures from time to time for administration of the Plan consistent with these Rules;
- (b) in accordance with clause 15, amend or modify these Rules;
- (c) resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- (d) delegate to any one or more persons for such period and on such conditions as the Board may determine the exercise of any of the Board's powers or discretions arising under the Plan.

## ANNEXURE D

### Rights Attaching to the Options Issued and to be Issued Under Resolutions 13 and 15

The terms of the Options issued and proposed to be issued under Resolutions 13 to 15, respectively, are as follows:

- (a) Each Option will entitle the holder to subscribe for one Share.
- (b) The Options will be exercisable at any time during the period beginning on the date of issue of the Options and expiring at 5pm (Perth time) on 31 December 2004 ("Expiry Date") by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by the exercise price for the number of Options specified in the notice and the certificate for those Options, for cancellation by the Company.
- (c) The exercise price for each Option will be \$0.25 payable in cash.
- (d) The Options will not be transferable.
- (e) All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for quotation by ASX of all Shares issued upon exercise of the Options.
- (f) Option holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice to the Option holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (g) If there is a bonus share issue ("Bonus Issue") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the options holder would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue, rank *pari passu* in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- (h) There will be no change to the exercise price of an Option or the number of Shares over which an Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than a Bonus Issue).
- (i) If, prior to the expiry of any Options, there is a re-organisation of the issued capital of the Company, Options will be re-organised in accordance with the Listing Rules.
- (j) The Options will not confer any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options.

## ANNEXURE E

As at the last practicable date before printing this Notice of Meeting, the interests of the Directors in the Existing Shares and Options on issue, as detailed in Section 2.5.1, were as follows:

		<b>Existing % Voting Power</b>	
		<b>Undiluted</b>	<b>Diluted</b>
<b><u>Total Existing Shares (undiluted)</u></b>		<b>282,565,822</b>	
<b><u>Total Existing Shares (diluted)</u></b>		<b>332,249,154</b>	
<b><u>Existing Interests of Directors</u></b>			
<b>W. B. Willis</b>			
Shares	420,000	<i>0.15%</i>	<i>0.13%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
		<b><i>0.15%</i></b>	<b><i>0.13%</i></b>
<b>B. G. Johnson</b>			
Shares	-	<i>0.00%</i>	<i>0.00%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
		<b><i>0.00%</i></b>	<b><i>0.00%</i></b>
<b>C. L. Readhead</b>			
Shares	177,500	<i>0.06%</i>	<i>0.05%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
		<b><i>0.06%</i></b>	<b><i>0.05%</i></b>
<b>I. A. Macliver</b>			
Shares	1,081,666	<i>0.38%</i>	<i>0.33%</i>
Options*	694,444	<i>0.25%</i>	<i>0.21%</i>
		<b><i>0.63%</i></b>	<b><i>0.54%</i></b>
<b>TOTAL</b>		<b><i>0.84%</i></b>	<b><i>0.72%</i></b>

\* Options exercisable at 15.84 cents on or before 28 February 2006

## ANNEXURE F

As at the last practicable date before printing this Notice of Meeting, the interests of the Directors in the proposed capital structure of the Company on approval and completion of all Resolutions is as follows:

		<b>Post Proposed Issues</b>	
		<b>% Voting Power</b>	
		<b>Undiluted</b>	<b>Diluted</b>
<b><u>Total New Shares (undiluted)</u></b>		<b>297,565,822</b>	
<b><u>Total New Shares (diluted)</u></b>		<b>389,049,154</b>	
<hr/>			
<b><u>Existing Interests of Directors</u></b>			
<b>W. B. Willis</b>			
Ordinary Shares	420,000	<i>0.14%</i>	<i>0.11%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
Options**	1,500,000	<i>0.50%</i>	<i>0.38%</i>
Options***	1,000,000	<i>0.34%</i>	<i>0.26%</i>
		<b><u>0.98%</u></b>	<b><u>0.75%</u></b>
<b>B. G. Johnson</b>			
Ordinary Shares	-	<i>0.00%</i>	<i>0.00%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
Options**	4,000,000	<i>1.34%</i>	<i>1.03%</i>
Options***	2,500,000	<i>0.84%</i>	<i>0.64%</i>
		<b><u>2.18%</u></b>	<b><u>1.67%</u></b>
<b>C. L. Readhead</b>			
Ordinary Shares	177,500	<i>0.06%</i>	<i>0.05%</i>
Options*	-	<i>0.00%</i>	<i>0.00%</i>
Options**	750,000	<i>0.25%</i>	<i>0.19%</i>
Options***	500,000	<i>0.17%</i>	<i>0.13%</i>
		<b><u>0.48%</u></b>	<b><u>0.37%</u></b>
<b>I. A. Macliver</b>			
Ordinary Shares	1,081,666	<i>0.36%</i>	<i>0.28%</i>
Options*	694,444	<i>0.23%</i>	<i>0.18%</i>
Options**	750,000	<i>0.25%</i>	<i>0.19%</i>
Options***	500,000	<i>0.17%</i>	<i>0.13%</i>
		<b><u>1.02%</u></b>	<b><u>0.78%</u></b>
<b>TOTAL</b>		<b><u>4.66%</u></b>	<b><u>3.57%</u></b>

\* Options exercisable at 15.84 cents on or before 28 February 2006

\*\* Options exercisable at 22 cents, on or before 15 October 2005.

\*\*\* Options exercisable at 25 cents, on or before 31 December 2006.

**MOUNT GIBSON IRON LIMITED  
ACN 008 670 817**

**FORM OF PROXY**

I/We (print name) .....

of .....

a member/members of Mount Gibson Limited (ACN 008 670 817) hereby appoint

.....

of .....

or failing him/her .....

of .....

or failing him/her, the Chairman of the meeting, as my/our proxy at the General Meeting of the Company to be held commencing at 10 a.m. on 3 May 2004, and at any adjournment thereof and to vote for me/us on my/our behalf in respect of all/the following\*

.....

.....

of my/our shares in the manner as set out below.

**In relation to any undirected proxies the Chairman intends to vote in favour of all Resolutions.**

**If you do not wish to instruct your proxy how to vote, please place a cross in the box.**

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Resolution 1</b> Approve Issue of Options to Key Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Approve Issue of Options to W. B. Willis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Approve Issue of Options to B. G. Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Approve Issue of Options to C. L. Readhead	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> Approve Issue of Options to I. A. Macliver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Resolution 6</b> Approve the Establishment of the Mount Gibson Iron Limited Directors, Officers, Employees and Other Permitted Persons Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7</b> Approve Issue of Options to W. B. Willis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 8</b> Approve Issue of Options to B. G. Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 9</b> Approve Issue of Options to C. L. Readhead	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 10</b> Approve Issue of Options to I. A. Macliver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 11</b> Approve Issue of Options to D. J. Coulthard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 12</b> Approve Issue of Options to A. M. Dent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 13</b> Approve Ratification of Issue of Shares and Options to Asia Iron Holdings Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 14</b> Approve Ratification of Issue of Shares to Burrows Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 15</b> Approve Issue of Shares and Options to Asia Iron Holdings Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2004.

**Signature of Member/s**

**Individuals and joint holders**

Signature

Signature

Signature

**Companies (affix common seal if appropriate)**

Director/Sole Director

Director/Company Secretary

Sole Director and Sole Company Secretary

### Instructions for Completing the Form of Proxy

1. To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and either:
  - send the Proxy Form by facsimile to the Company on +61 8 9485 2305;
  - post the Proxy Form to the Company at PO Box 55, West Perth WA 6872; or
  - deliver the Proxy Form to the registered office of the Company at First Floor, 7 Havelock Street, West Perth WA 6005.
2. Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights.
4. \*If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
5. Should you desire to direct your proxy how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
6. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
7. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provision of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.
8. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
9. Where a Proxy Form or form of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged with this proxy.