

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Global Iron Limited as an individual entity (the 'Company' or 'entity'). The Company is domiciled in Australia and is primarily involved in mineral exploration.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report was approved by the Board of Directors on 29 September 2009.

The financial report is presented in Australian dollars, which is the Company's functional currency. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a) Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred income tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/ (assets) are therefore

measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead or the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based upon temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associated and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future. Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxed levied



by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank over overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed by the entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 20%-25%
- Motor vehicles 22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with tea carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure is incurred in securing mining rights. The expenditure incurred is accumulated in respect of each identifiable area of interest. Costs associated with these identifiable areas of interests are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but the legal ownership is not transferred to the entity, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through the profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing

involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Non Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee Benefits

Equity-settled Compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees

become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Binomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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



(k) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtain both externally and within the Company.

(l) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market place (for example, over-the-counter derivatives) is determined using the valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Key Estimates and Judgments – Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

During the year ended 30 June 2009 a number of exploration licences expired. The capitalised exploration and evaluation costs associated with the tenements to which the licences relate have been recognised as an impairment loss (2008: no amounts were recognised as an impairment loss).

(m) Going concern

The company is focused on exploration and development. The major sources of liquidity for these activities are traditionally the capital markets. The 2008/2009 international economic crisis has tightened traditional capital markets. Positive exploration and development results will be a key factor in the entity's ability to attract funding and meet its financial commitments in future. The company's ability to continue as a going concern and expand its exploration and development activities depends on its ability to obtain financing through equity financing, joint ventures, production off take arrangements or other means.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



3. REVENUE

| | 2009 | 2008 |
|--|---------------|----------------|
| | \$ | \$ |
| Interest received/receivable – other persons | 47,535 | 112,283 |
| Total Revenue | <u>47,535</u> | <u>112,283</u> |

4. LOSS FOR THE YEAR

| | 2009 | 2008 |
|------------------------------------|--------------|---------------|
| | \$ | \$ |
| (a) Expenses | | |
| Depreciation of non-current assets | | |
| - office furniture and equipment | 664 | 449 |
| - motor vehicles | 6,213 | 31,801 |
| Total depreciation expense | <u>6,877</u> | <u>32,250</u> |
| Finance costs – other persons | <u>3,553</u> | <u>11,592</u> |

(b) Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance

| | | |
|---------------------------------------|----------------|----------------|
| Key management personnel remuneration | <u>457,662</u> | <u>670,550</u> |
|---------------------------------------|----------------|----------------|

Refer to the Remuneration Report section of the Directors' Report for further details of Key Management Personnel Remuneration.

5. INCOME TAX

| | 2009 | 2008 |
|---|-----------|-----------|
| | \$ | \$ |
| (a) The components of income tax expense comprise: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | <u>-</u> | <u>-</u> |
| (b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% | 356,443 | 258,683 |
| Add / (Less) | | |
| Tax effect of | | |
| - Non deductible Share Based Payments | - | (103,215) |
| - Deductible exploration expenditure which has been capitalised | - | 171,563 |
| - Non deductible loss on sale of tenements | - | (9,863) |
| - Non deductible impairment loss | (96,662) | - |
| - Other temporary differences | - | (4,305) |
| - Unrecognised Deferred tax asset attributable to tax losses | (259,781) | (312,863) |
| | <u>-</u> | <u>-</u> |
| Income tax attributable to the Company | - | - |
| (c) The applicable weighted average effective tax rate is as follows: | N/A | N/A |
| (d) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(a) occur. | | |
| - Temporary differences | - | 6,300 |
| - Tax losses | | |
| - Operating losses | 259,781 | 312,863 |
| - Capital losses | - | - |
| | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



6. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Name and positions held by Directors in office at any time during the financial year are:

| | |
|-------------------|------------------------|
| Mr Antony Sage | Executive Chairman |
| Mr Roberto Catena | Non-Executive Director |
| Mr Timothy Turner | Non-Executive Director |

In addition to the Directors, Ms Eloise von Puttkammer, Company Secretary, and Ms Fiona Taylor, Chief Financial Officer, are key management personnel.

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Shareholdings

Number of Shares held by Directors and other Key Management Personnel:

| | Balance 1.07.08 | Balance held on Appointment | Received as Compensation | Net Change Other * | Balance 30.06.09 |
|------------------|--------------------|--------------------------------|-----------------------------|-----------------------|---------------------|
| A Sage | 1,998,383 | - | - | - | 1,998,383 |
| R Catena | 107,585 | - | - | - | 107,585 |
| T Turner | 11,993 | - | - | - | 11,993 |
| E von Puttkammer | 28,523 | - | - | - | 28,523 |
| F Taylor | - | - | - | - | - |
| | 2,146,484 | - | - | - | 2,146,484 |

(c) Option Holdings

Number of 20 cent Options expiring 31 July 2010 held by Key Management Personnel:

| | Balance 01.07.08 | Net Change Other * | Balance 30.06.09 | Total Vested | Total Exercisable |
|------------------|---------------------|-----------------------|---------------------|--------------|----------------------|
| A Sage | - | - | - | - | - |
| R Catena | 3,500,000 | - | 3,500,000 | - | 3,500,000 |
| T Turner | - | - | - | - | - |
| E von Puttkammer | - | - | - | - | - |
| F Taylor | - | - | - | - | - |
| | 3,500,000 | - | 3,500,000 | - | 3,500,000 |

* Net Change Other refers to shares purchased or sold during the financial year and the Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year.

(d) Loans to Key Management Personnel

There have been no loans made to key management personnel.

(e) Other Transactions with Key Management Personnel

Refer to Note 16 for details on other transactions with key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

7. AUDITORS' REMUNERATION

| | 2009 | 2008 |
|---|---------------|--------|
| | \$ | \$ |
| Remuneration of the auditor for: | | |
| - Auditing or reviewing the financial report Grant Thornton (WA) Partnership | 28,168 | 20,000 |
| - Other services – Investigating Accountant's Report prepared by Grant Thornton (WA) Financial Services Pty Ltd (a related practice of the auditor) | - | 5,000 |
| Total remuneration | 28,168 | 25,000 |

8. CASH AND CASH EQUIVALENTS

| | 2009 | 2008 |
|--------------------------|------------------|-----------|
| | \$ | \$ |
| Cash at bank and on hand | 1,388,625 | 2,208,668 |
| | 1,388,625 | 2,208,668 |

The effective interest rate on cash at bank was 3% (2008: 4.7%). The account is at call.

9. TRADE & OTHER RECEIVABLES

| | 2009 | 2008 |
|-------------------|---------------|--------|
| | \$ | \$ |
| Current | | |
| Other receivables | 15,449 | 20,977 |
| | 15,449 | 20,977 |

10. PLANT AND EQUIPMENT

| | 2009 | 2008 |
|------------------------------------|--------------|----------|
| | \$ | \$ |
| Office Equipment | | |
| At cost | 3,777 | 3,777 |
| Accumulated depreciation | (1,113) | (449) |
| Total Office Equipment | 2,664 | 3,328 |
| Leased Motor Vehicles | | |
| At cost | - | 191,778 |
| Accumulated amortisation | - | (31,801) |
| Total Leased Motor Vehicles | - | 159,977 |
| TOTAL PLANT & EQUIPMENT | 2,664 | 163,305 |

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



2009 – Movements in carrying amounts

| | Office Equipment | Motor Vehicles | Total |
|-------------------------------------|---------------------|-------------------|-----------|
| | \$ | \$ | \$ |
| Carrying amount at 1 July 2008 | 3,328 | 159,977 | 163,305 |
| Additions | - | - | - |
| Disposals | - | (153,764) | (153,764) |
| Depreciation / Amortisation expense | (664) | (6,213) | (6,877) |
| Carrying amount at 30 June 2009 | 2,664 | - | 2,664 |

2008 – Movements in carrying amounts

| | Office Equipment | Motor Vehicles | Total |
|--|---------------------|-------------------|----------|
| | \$ | \$ | \$ |
| Carrying amount at incorporation and 1 July 2007 | - | - | - |
| Additions | 3,777 | 191,778 | 195,555 |
| Disposal | - | - | - |
| Depreciation / Amortisation expense | (449) | (31,801) | (32,250) |
| Carrying amount at 30 June 2008 | 3,328 | 159,977 | 163,305 |

11. EXPLORATION AND EVALUATION EXPENDITURE

| | 30 June 2009 \$ | 30 June 2008 \$ |
|---|--------------------|--------------------|
| Non-Current | | |
| Costs carried forward in respect of areas of interest in: | | |
| - Exploration and evaluation phases | <u>216,791</u> | <u>538,997</u> |
| Costs carried forward in respect of areas of interest in: | | |
| - Exploration and evaluation phases | | |
| Carrying amount at beginning of the year | 538,997 | - |
| Exploration expenditure acquired | - | 569,325 |
| Exploration expenditure incurred | - | 2,550 |
| Less amounts sold or surrendered | - | (32,878) |
| Less amounts impaired | (322,206) | - |
| Carrying amount at the end of the year | <u>216,791</u> | <u>538,997</u> |

During the year, the carrying amount of exploration and evaluation expenditure was assessed in accordance with AASB 6 "Exploration for and Evaluation of Mineral Resources" an impairment loss of \$322,206 has been recognised. This amount is shown as a separate line item on the income statement.

At the date of this report, the Directors are of the opinion the carrying amount represents fair value.

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Directors' assessment of carrying amount was after consideration of prevailing market conditions; previous expenditure carried out on the tenements; and the potential for mineralisation based on both the entity's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Company's

interests in those areas for an amount at least equal to the carrying value. There may exist, on the Company's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

12. TRADE & OTHER PAYABLES

| | 2009 | 2008 |
|--------------------------------------|----------------|---------------|
| | \$ | \$ |
| Current Unsecured Liabilities | | |
| Trade payables | 13,128 | 57,519 |
| Sundry payables and accrued expenses | 103,669 | 21,000 |
| | <u>116,797</u> | <u>78,519</u> |

13. FINANCIAL LIABILITIES

| | | |
|--------------------|---|---------|
| Current | | |
| Lease Liability | - | 29,257 |
| Non Current | | |
| Lease Liability | - | 129,297 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



14. ISSUED CAPITAL

| | 2009 | 2008 |
|--|-----------|-----------|
| | \$ | \$ |
| 18,125,001 (2008:118,125,001) Fully paid ordinary shares | 2,328,401 | 2,328,401 |

| | 30 June 2009 | | 30 June 2008 | |
|--|--------------|-----------|--------------|-------------|
| | No | Value | No | Value |
| (a) Fully paid ordinary shares | | \$ | | \$ |
| At the beginning of reporting period | 18,125,001 | 2,328,401 | 1 | 1 |
| - 1 July 2007 shares issued pursuant to Agreement for sale of Mining Assets with Cape Lambert Iron Ore Limited | - | - | 3,125,000 | 541,875 |
| - 2 August 2007 shares issued pursuant to Prospectus | - | - | 15,000,000 | 3,000,000 |
| At the end of reporting period | 18,125,001 | 2,328,401 | 18,125,001 | 3,541,876 |
| Transaction costs relating to share issues | - | - | - | (1,213,475) |
| At reporting date | 18,125,001 | 2,328,401 | 18,125,001 | 2,328,401 |

Ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

Management controls the capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

| | 30 June 2009 | | 30 June 2008 | |
|---|--------------|-----------|--------------|-----------|
| | No | Value | No | Value |
| (b) Options | | \$ | | \$ |
| At beginning of reporting period | 12,500,000 | 1,228,750 | - | - |
| 16 October 2007 20 cent 31 July 2010 Options issued upon listing on the ASX | - | - | 12,500,000 | 1,228,750 |
| At reporting date | 12,500,000 | 1,228,750 | 12,500,000 | 1,228,750 |

Refer to Notes 23 for details of share options issued.

15. RESERVES

| | 2009 | 2008 |
|----------------------------------|-----------|-----------|
| | \$ | \$ |
| Share Based Payment Reserve | | |
| At beginning of reporting period | 1,228,750 | - |
| Option Expense | - | 1,228,750 |
| At reporting date | 1,228,750 | 1,228,750 |

The share based payments reserve is used to recognise the fair value of options issued.

16. RELATED PARTY TRANSACTIONS

| | 2009 | 2008 |
|--|---------|---------|
| Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | \$ | \$ |
| Key Management Personnel | | |
| During the year, the Company entered into the following transactions with key management personnel | | |
| - Consultancy fees paid/payable to a company associated with director, Mr Sage | 350,000 | 262,500 |
| - Consultancy fees paid/payable to a company associated with director, Mr Turner | 48,000 | 32,000 |
| - Consultancy fees paid/payable to a company associated with director, Mr Catena | 48,000 | 32,000 |
| - Accounting fees paid/payable to a firm associated with director, Mr Turner | 38,200 | 46,632 |
| - Options issued to a company associated with director, Mr Catena | - | 344,050 |
| - Payment for corporate entertainment from PG Partnership, an entity in which Mr Sage has a relevant interest | - | 24,305 |
| - Payment for the acquisition of office furniture from PG Partnership, an entity in which Mr Sage has a relevant interest | - | 3,777 |
| - 3,125,000 shares issued to Cape Lambert Iron Ore Limited as consideration for the purchase of the iron ore rights. Cape Lambert Iron Ore Limited is an entity related to directors, Messrs Sage and Turner | - | 541,875 |
| - During the year expenses were paid by Cape Lambert Iron Ore Limited, an entity related to directors Messrs Sage and Turner, on behalf of Global Iron Limited. This sum was repaid in full during the year. | - | 119,544 |

| | 30 June 2009 | 30 June 2008 |
|---|--------------|--------------|
| Shareholding | No | \$ |
| Ordinary shares held by directors and their personally related entities as at the end of the financial year | | |
| - Antony Sage | 2,080,825 | 2,080,825 |
| - Timothy Turner | 11,993 | 11,993 |
| - Roberto Catena | 101,002 | 101,002 |
| Options for shares issued held by directors and their personally related entities as at the end of the financial year | | |
| - Antony Sage | - | - |
| - Timothy Turner | - | - |
| - Roberto Catena | 3,500,000 | 3,500,000 |

Refer to Note 6 for movement in share and option holding during the year.

Outstanding balances arising from purchases of goods and services:

- (i) At 30 June 2009 the Company owes Hewitt Turner & Gelevitis, an accounting firm related to Mr Turner, an amount of nil (2008: \$19,734) for accountancy fees.
- (ii) At 30 June 2009 the Company owes director related entities \$8,800 (2008: \$14,333) for consultancy fees.
- (iii) Included within payables in note 12 is an amount of \$87,500 relating to directors fees accrued in relation to Mr Sage. These fees are likely to be settled within one year. No interest accrues on the unpaid amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



17. SEGMENT INFORMATION

The Company operates in one segment being mineral exploration and development in Australia.

18. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

19. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

| | 2009 | 2008 |
|--|----------------|-----------|
| | \$ | \$ |
| (a) Lease commitments | | |
| Commitments in relation to finance leases are payable as follows: | | |
| Within 1 year | - | 41,672 |
| Later than 1 year but not later than 5 years | - | 147,764 |
| Later than 5 years | - | - |
| Minimum lease payments | - | 189,436 |
| Less future finance charges | - | (30,882) |
| Present value of minimum lease payments recognised as a liability | - | 158,554 |
| (b) Remuneration Commitments | | |
| Commitments for the payment of consultancy fees under long term contracts in existence at the reporting date but not recognised as liabilities, payable: | | |
| Within 1 year | 446,000 | 446,000 |
| Later than 1 year and not later than 5 years | 119,500 | 565,500 |
| Later than 5 years | - | - |
| | 565,500 | 1,011,500 |
| (c) Minimum Exploration Expenditure Commitments | | |
| The Company does not directly own tenements in its own right and therefore does not have any commitments for minimum exploration expenditure. | | |
| | - | - |
| | - | - |



20. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable and leases.

The main purpose of non-derivative financial instruments is to raise finance for the company's operations.

Derivatives are not used by the Company.

(i) Treasury Risk Management

The Board analyses financial risk exposure and evaluates treasury strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

(ii) Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed with a fixed rate debt. For further details on interest rate risk refer to Note 20 (b)(i) &(ii).

Foreign currency risk

The company is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the company's measurement currency. The company does not take out any hedging instruments.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no other material amounts of collateral held as security at 30 June 2009.

Credit risk is managed and reviewed regularly by the Board of Directors. It arises from exposures to deposits with financial institutions.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties. Only banks and financial institutions with an 'A' rating are utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



20. FINANCIAL RISK MANAGEMENT (continued)

The credit risk for counterparties included in trade and other receivables at 30 June 2009 is detailed below:

Trade and other receivables

| | 2009 | 2008 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Credit risk (continued) | | |
| AA rated counterparties | 9,072 | 14,324 |
| B rated counterparties | - | - |
| Counterparties not rated | 6,377 | 6,653 |
| Total | 15,449 | 20,977 |

Credit risk arises from the potential failure by counter-parties to the contract to meet their obligations.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Price risk

As the company's still in the exploration phase it is not exposed to commodity price risk.

(b) Financial instruments

(i) Derivative Financial Instruments

Derivative financial instruments are not used by the company.

(ii) Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amount may not reconcile to the balance sheet.

| 2009 | Weighted average effective Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing within 1 year | Fixed Interest Rate Maturing over 5 years | Non-interest bearing | 2009 Total |
|------------------------------|--|------------------------|--|---|----------------------|------------|
| | | \$ | \$ | | \$ | \$ |
| Financial assets | | | | | | |
| Cash & Cash Equivalents | 3% | 1,388,625 | - | - | - | 1,388,625 |
| Trade & Other Receivables | | | - | - | 15,449 | 15,449 |
| | | 1,388,625 | - | - | 15,449 | 1,404,074 |
| Financial Liabilities | | | | | | |
| Trade & Other Payables | | - | - | - | - | - |
| Lease Liabilities | 8.54% | - | - | - | (116,797) | (116,797) |
| | | - | - | - | (116,797) | (116,797) |
| Net financial assets | | 1,388,625 | - | - | (101,348) | 1,287,277 |

20. FINANCIAL RISK MANAGEMENT (continued)

| 2008 | Weighted average effective Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing within 1 year | Fixed Interest Rate Maturing over 5 years | Non-interest bearing | 2008 Total |
|------------------------------|--|------------------------|--|---|----------------------|------------|
| | | \$ | \$ | | \$ | \$ |
| Financial assets | | | | | | |
| Cash & Cash Equivalents | 4.7% | 2,208,668 | - | - | - | 2,208,668 |
| Trade & Other Receivables | | - | - | - | 20,977 | 20,977 |
| | | 2,208,668 | - | - | 20,977 | 2,229,645 |
| Financial Liabilities | | | | | | |
| Trade & Other Payables | | - | - | - | (78,519) | (78,519) |
| Lease Liabilities | 8.54% | | (29,257) | (129,297) | - | (158,554) |
| | | - | (29,257) | (129,297) | (78,519) | (237,073) |
| Net financial assets | | 2,208,668 | (29,257) | (129,297) | (57,542) | 1,992,572 |

All trade and sundry payables are expected to be paid in less than 6 months.

(iii) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and financial liabilities approximates their carrying value.

(iv) Sensitivity Analysis

The company has performed a sensitivity analysis demonstrating the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

As 30 June 2009, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | (Higher)/Lower | |
|-----------------------------------|----------------|----------|
| | 2009 | 2008 |
| | \$ | \$ |
| Change in profit | | |
| - Increase in interest rate by 2% | 35,973 | 48,014 |
| - Decrease in interest rate by 2% | (35,973) | (48,014) |
| Change in equity | | |
| - Increase in interest rate by 2% | 35,973 | 48,014 |
| - Decrease in interest rate by 2% | (35,973) | (48,014) |

The movements in profit are due to higher / lower interest revenue from cash balances.

Foreign Currency Risk Sensitivity Analysis

For the year ended 30 June 2009 the company was not exposed to any fluctuations in foreign currencies.

The above interest rate and foreign exchange rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009



(c) Capital management

The Board as a whole controls the capital of the company in order to ensure the Company can fund its operations and continue as a going concern. The directors oversee the risk management strategy.

The entity's capital consist of share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements. The Board effectively manage the entity's capital by assessing the entity's financial risks and responding to changes in these risks and in the market. This strategy is to ensure that there is sufficient cash to meet trade payables and ongoing exploration expenditure commitments.

21. LOSS PER SHARE

| | 2009 | 2008 |
|---|--------------|--------------|
| | \$ | \$ |
| (a) Basic and diluted Loss per share | (6.56) cents | (5.13) cents |
| (b) (Loss) used in the calculation of basic and diluted loss per share | (1,188,142) | (862,277) |
| | Number | Number |
| (c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share: | 18,125,001 | 16,809,933 |

(d) Options

If the options to subscribe to ordinary shares were exercised, they have not been included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2009 and 30 June 2008. These options could potentially dilute basic earnings per share in the future.

22. CASH FLOW INFORMATION

| | 2009 | 2008 |
|---|--------------------|-----------|
| | \$ | \$ |
| (i) Reconciliation of Cash Flows from Operating Activities with (Loss) from ordinary activities after Income Tax | | |
| - (Loss) from ordinary activities after income tax | (1,188,142) | (862,277) |
| <i>Non-cash flows in (loss) from ordinary activities</i> | | |
| - Depreciation | 6,877 | 32,250 |
| - Share based payment expense | - | 344,050 |
| - Loss on sale of tenements | - | 32,878 |
| - Impairment loss | 322,206 | - |
| - Loss on disposal of plant and equipment | 62,855 | - |
| <i>Changes in assets and liabilities</i> | | |
| - Decrease / (Increase) in trade and other receivables | 5,528 | (20,977) |
| - Increase in trade payables and other payables | 38,278 | 78,519 |
| Net cash (outflows) from Operating Activities | (752,398) | (395,557) |

| | 2009 | 2008 |
|--|------|-----------|
| | \$ | \$ |
| (ii) Non-cash financing and investing activities | | |
| Acquisition of interest in mineral tenements by means of share issue on 1 July 2008 | - | 541,875 |
| Acquisition of plant and equipment by means of finance lease | - | 180,000 |
| | - | 721,875 |
| (iii) Finance Facilities | | |
| At 30 June 2009 the company has the following unused lease facility: | | |
| Lease facility available | - | 216,000 |
| Used | - | (158,554) |
| Unused | - | 57,446 |
| (iv) The Company has used the cash it had at the time of admission to the ASX in a way consistent with its business objectives. | | |

23. SHARE – BASED PAYMENTS

There were no share based payments in the year ended 30 June 2009. In the year ended 30 June 2008, 3,500,000 options were granted to directors and advisers upon the successful listing of the Company on ASX. All options granted confer a right of one ordinary share for every option held.

| Grant Date | Expiry Date | Exercise Price | Balance at start of period Number | Granted during period Number | Balance at end of period Number | Exercisable at end of period Number |
|--------------|--------------|----------------|-----------------------------------|------------------------------|---------------------------------|-------------------------------------|
| 31 July 2007 | 31 July 2010 | 20 cents | 12,500,000 | - | 12,500,000 | 12,500,000 |

No options were forfeited, expired or exercised during the reporting period (30 June 2008: Nil).

Fair value of options granted.

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was 9.83 cents per option. The fair value at grant date was independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Total amounts arising from share-based payment transactions recognised during the year are as follows.

| | 2009 | 2008 |
|----------------------------|----------|------------------|
| | \$ | \$ |
| Income Statement | | |
| - Directors' Remuneration | - | 344,050 |
| Debited directly equity | | |
| - Capital Raising Expenses | - | 884,700 |
| | <u>-</u> | <u>1,228,750</u> |



24. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 127, AASB 134, AASB 136, AASB 1029 & AASB 1028] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's Board for the purposes of decision making. The Board has determined that this standard will not have any impact on the Company as there are no additional operating segments on which to report.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Company. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only.

Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Company's financial statements.