



2009 ANNUAL GENERAL MEETING WEDNESDAY 18 NOVEMBER 2009

Mount Gibson Iron Limited Chairman's address to shareholders

Good morning ladies and gentlemen. It is my pleasure to welcome you to the 2009 Annual General Meeting of Mount Gibson Iron Limited.

My name is Neil Hamilton. I have been Chairman of Mount Gibson since April 2007 and I am pleased to report to you our company's performance over what has been one of the most challenging years in our history to date.

I would firstly like to introduce my fellow directors who are here today:

- Luke Tonkin Managing Director
- Craig Readhead Non-Executive Director
- Ian Macliver Non-Executive Director
- Chen Zhouping Non-Executive Director
- Alan Jones Non-Executive Director

I would also like to introduce

- Alan Rule Chief Financial Officer
- David Berg Company Secretary

In particular I would like to welcome Mr Chen to his first Mount Gibson

AGM.

Unfortunately a fellow Non-Executive Director Mr Cao Zhong sends his apologies and can not be with us today.

The order for today's proceedings will be as follows:

- Firstly I will provide a brief address on the year in review.
- Managing Director, Luke Tonkin will then make a short presentation on Mount Gibson's operating activities and strategic objectives.
- We will then move to the business of the meeting which is detailed in the notice.
- There will then be an opportunity for shareholders to ask questions, and afterwards, all shareholders are welcome to join Board members for tea and coffee.

If you then still have a question or two please feel free to approach any of the team for a more informal chat.

Minutes of previous meetings, the annual report and notice of AGM are all available for inspection at the entrance to this room.

Please be kind enough to switch off your mobile phones and pagers so we are not interrupted.

As I stand here today, I do so in a very different environment to the same time last year. We have faced and weathered the financial storm that we encountered as a result of the global economic situation and are now well placed to capitalise on emerging market opportunities.

At the time of our 2008 AGM, our market had already altered dramatically with Chinese demand slowing markedly as a result of economic uncertainty, a tighter credit market and the resultant reduction in steel production and a build up of stockpiles at Chinese ports. Regrettably we were faced with requests from existing long-term customers to defer or cancel shipments.

Recognising the severity of market trends in early October 2008, the Board and management of Mount Gibson moved quickly to mitigate the impact

that reduced ore sales would have on the company. Not only did we need to ensure that Mount Gibson could continue to trade as a going concern, we sought to underwrite project development plans to secure our longer-term future.

Shareholders subsequently in late December 2008 approved the Board's recommendation for three important strategies to ensure the company's short-term survival and long-term financial well being, as follows:

- Firstly, to establish medium and long-term offtake agreements with APAC Resources Limited and Shougang Concord International Enterprises Company Limited,
- Secondly, to underwrite a rights issue by APAC and Shougang Concord, and,
- Thirdly, a placement of 110 million Mount Gibson shares to Shougang Concord.

In addition, on 30 June 2009, Mount Gibson signed an Amended Facility Agreement with our Banking Syndicate and restructured the company's US dollar foreign exchange hedge book.

I am pleased to report that in a volatile and adverse market environment, and with the attendant difficulties in raising debt and equity at that time, this series of arrangements was a significant achievement that averted the potential collapse of Mount Gibson and underwrote the future development of our growth projects.

I am grateful for the overwhelming support shown by you, our shareholders, for all these proposals, which is a true reflection of your confidence in our company and our future. Mount Gibson raised \$162.5 million before expenses, and secured medium and long-term iron ore offtake agreements for all of Mount Gibson's available production from our entire suite of operations.

As you recall from the AGM last year I stated that a number of MGI's customers had failed to collect iron ore cargoes in accordance with binding purchase agreements. Agreements with three of these customers namely,

Pioneer Iron and Steel Group Co Ltd, Rizhao Steel Holding Group Co Ltd and Sinom (Hong Kong) Ltd, were subsequently terminated in accordance with their terms. I also stated that MGI was determined to pursue these customers for any loss MGI had suffered as a consequence these customers' actions.

On the 29th October 2009 MGI announced it had entered into a settlement agreement with Sinom (Hong Kong) Ltd in relation to arbitral and other proceedings brought by Mount Gibson against Sinom. The settlement involves the staged payment of up to US\$30 million.

This settlement with Sinom is a very pleasing outcome and shows the strength of Mount Gibson's contracts with its long term offtake customers. The company will continue to pursue the remaining two defaulting customers through arbitration to recover the substantial losses and damages which the company suffered. Mount Gibson remains quietly confident about the outcome of these arbitrations.

Despite it being a very difficult year there have been many positives to take away. Significantly some key achievements were recorded during the year which included:

- a full year net profit after tax of \$42.6 million;
- sale of 5.4 million tonnes – equalling the previous year's record levels;
- delivery of our 10 millionth tonne of ore to Geraldton Port;
- record material movements at Koolan Island;
- record quarterly ore sales in the last quarter of the year;
- drilling results at the Extension Hill showing further extension of mineralisation than previously identified; and
- Mount Gibson and the Dambimangari Native Title Group entered into a formal Heritage Protection and Exploration Agreement in relation to Koolan Island's Western Iron Ore Targets.

In addition, we completed the year with a strong balance sheet – showing

cash on hand of \$222 million; a direct result of the strategies we employed to stabilise our business and optimise our performance within the new operating environment.

Financial Results

I will now turn to the financial results for the 12 months to 30 June 2009.

As mentioned briefly in my introduction, our financial results – while in most cases representing a reduction from the previous year – remained strong in the context of the difficult market environment.

The operating profit before tax of \$61.7 million translated to a net profit after tax profit of \$42.6 million. Sales revenue of \$425.4 million was \$7.3 million less than the previous year, while our net assets continued to increase, to \$780.5 million – largely as a result of the successful capital raising initiatives discussed above.

Debt of \$105 million remained at the same level as the previous financial year.

This funding represents low levels of gearing in the context of our strong balance sheet and we continue to focus on risk management and risk reduction, in order to provide ongoing flexibility to fund internal and external opportunities.

Luke Tonkin will discuss these results and other operational activities in more detail in a couple of minutes.

Production performance

As a result of the significant financial constraints the company faced this year, we put in place a range of measures across all operations aimed at reducing cash expenditure in a deteriorating iron ore and financial market.

Mine production at Talling Peak was reduced, while operations at Koolan Island were modified substantially, including reduction in operating activities and equipment requirements, and the suspension of capital projects.

Thankfully this was achieved without a significant reduction in Mount Gibson employees; however contractors were reduced throughout our operations and projects.

Operations at Koolan Island focused on the East-Barramundi and Mullet-Acacia pits and with the commencement of new medium-term offtake agreements, increased production led to a return to record levels in June this year.

People

Mount Gibson's timely reaction to market conditions and our ability to consolidate our position through effective strategies has not happened by chance and is the result of the dedication and hard work from our workforce.

The commitment shown by our management team, coupled with the dedication of operational staff under adverse conditions stood Mount Gibson in good stead and more importantly has positioned the company well for the future.

On behalf of the Board I would like to offer my sincere thanks to all our loyal and dedicated staff.

One of the imperatives for continuing to attract and retain a skilled workforce is a reputation for providing a safe workplace focused on mitigating and managing operational risks.

Our management teams at our operations have continued to work diligently to reduce risks faced by our employees by a process of continuous identification of operational hazards and the implementation of appropriate controls.

Pleasingly, Mount Gibson has continued to improve on the lagging safety performance indicator of LTIFR which improved 35% over last year. While this is an excellent result, the Board will continue to encourage further improvement.

Mount Gibson is remains committed to creating opportunities for people in the local communities surrounding our operations. Our strong links with the traditional owners throughout all our sites are formalised through agreements that clearly describe the mutual obligations of Mount Gibson and the traditional indigenous owners.

One such deed – the Co-Existence Deed between Mount Gibson and the Dambimangari people from the West Kimberley – required Aboriginal employment of 10% at our Koolan Island operation by the end of its second year of production. I am pleased to confirm that this goal has been achieved and that we are working towards 20% Aboriginal employment by the end of the fourth year.

We have continued to successfully engage with local communities on all levels – from purchasing locally where practicable, to direct local contributions and sponsorships, to undertaking ongoing stakeholder consultation.

The strength of these relationships has a profound impact on the company's ability to maximise our exploration and production potential. As previously mentioned, in June this year, Mount Gibson entered into a formal Heritage Protection and Exploration Agreement with the Dambimangari Native Title Group which allows the company to explore Koolan Island's west end iron ore targets, opening up an area with strongly developed hematite bearing ridges which are highly prospective.

Future Developments

As the global financial market continues to moderate and there are encouraging signs for iron ore demand and pricing in the medium to long term, we are finding some room for cautious optimism in the coming year.

Iron ore imports into China have recovered to record levels in recent months, as a result of the announcement by the Chinese Government of a substantial infrastructure stimulus package and the relaxation of credit restrictions in the Chinese economy.

While development and construction at Extension Hill – in the Mt Gibson Ranges east of Geraldton – was deferred for 12 months to 2010, the company continued exploration drilling in the area with positive results. We intend to recommence development and project activity when confidence in the iron ore market returns, and rail unloading infrastructure at Geraldton Port is upgraded to cater for increased throughput.

Conclusion

I would like to thank my fellow Board members, the management team, our operational and support teams, and our contractors and suppliers for their tireless efforts.

Mount Gibson's strong and stable management team provides welcome continuity as we move forward in a diverse and challenging economic landscape.

As I've made clear, Mount Gibson is focused on being well placed to capitalise on changing market conditions and the opportunities they may provide. The strength of our balance sheet, the quality of our assets and the tenacity and professionalism of all our employees position us well to deliver opportunities for our shareholders.

Thank you.

I would now like to hand over to Luke to take us through his presentation.