



Mount Gibson Iron Limited

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VIA: WWW.ASXONLINE.COM

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

Dear Sir

KOOLAN ISLAND OFFTAKE

Mount Gibson Iron Limited (**Mount Gibson**) wishes to inform the market of the current status of its offtake arrangements for Koolan Island.

Previously, Mount Gibson's had four customers who between them purchased 100% of life of mine production from Koolan Island. Following the demise of the benchmark pricing system, Mount Gibson sought to negotiate with each of its customers a revised pricing mechanism to apply in place of the now defunct benchmark price.

As announced on 3 November 2010, revised pricing agreements were concluded with each of Shougang Concord International Enterprises Company Limited (**Shougang**) and APAC Resources Limited (**APAC**). However, despite lengthy good faith negotiations, no agreement was reached with the two remaining customers, CITIC and Marubeni, and so these agreements have now ceased to be binding on the parties.

Mount Gibson's offtake agreements with Shougang and APAC provide that, where other customers' agreements cease to be binding, then production formerly allocated to those other customers becomes "available production" the subject of Shougang's and APAC's agreements. Consequently, Shougang and APAC have an obligation to purchase, between them, all life of mine production from Koolan Island.

Separately, a dispute arose between Mount Gibson and Shougang, involving the sale and purchase of a number of hematite ore cargoes from Koolan Island. As a result of the dispute, Shougang failed to nominate and furnish vessels in respect of two cargoes of iron ore and failed to nominate a vessel to collect a third cargo presently due for collection. The dispute has been resolved amicably and Shougang has now agreed to make up the shipments during the September quarter and also to continue to take 80% of the available production for the life of mine in accordance with its contractual commitment to Mount Gibson.

Yours sincerely

MOUNT GIBSON IRON LIMITED

David Berg
Company Secretary

For further information:

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