Mount Gibson Iron

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**VIA: WWW.ASX.ONLINE.COM**

25 August 2008

Pages = 37

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

# INVESTOR PRESENTATION

Please find attached a copy of a presentation to be given to investors during the coming week.

Yours sincerely,
**MOUNT GIBSON IRON LIMITED**

**David Berg**
**Company Secretary**

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**About Mount Gibson Iron Limited**

**Mount Gibson is Australia's leading** independent iron ore producer, and a driving force behind the development of the Mid West iron ore industry in Western Australia. Mount Gibson is leading the consolidation of the junior iron ore industry, and with the successful takeover of Aztec Resources, will build a sustainable platform for future shareholder growth. Mount Gibson has a hematite mining operation at Tallering Peak operating at its targeted production rate and has commenced production from Koolan Island hematite mining operation. Mount Gibson's plans to develop the Extension Hill hematite project are well advanced. Current production rates from Mount Gibson exceed 6.5Mtpa with forecast production of 10Mtpa in 2010. Mount Gibson has firm commercial relationships with major Chinese steel industry customers, and with continued strong demand and prices the Company and its shareholders are ideally leveraged to benefit from further commodity price rises. The Company is generating strong cashflow and has a stable and experienced management team focused on delivering returns to shareholders.

# Investor Presentation

## August 2008

Mount Gibson Iron

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# Company overview

## Corporate

| | |
|---|---|
| • Issued capital | 804.2 million shares, 9.9 million options |
| • Market cap[1] | A$1,793 million |
| • Cash[2] | A$49 million |
| • Total debt[2] | A$105 million |
| • EV | A$1,737 million |
| • Index | S&P/ASX 100 |
| • Finance facilities | A$200m (includes A$25m contingent debt) |

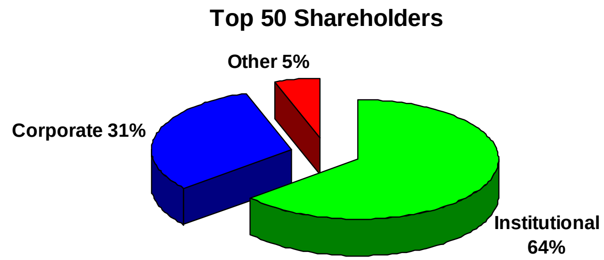
## Financials

| | | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| • Sales volume | MWMT | 1.9 | 1.4 | 2.5 | 5.5 |
| • Sales | A$ m | 77 | 73 | 163 | 433 |
| • NPAT | A$ m | 14 | 23 | 48[3] | 113 |

## Shareholders

- APAC Resources 20%

Represents 75% of shareholding

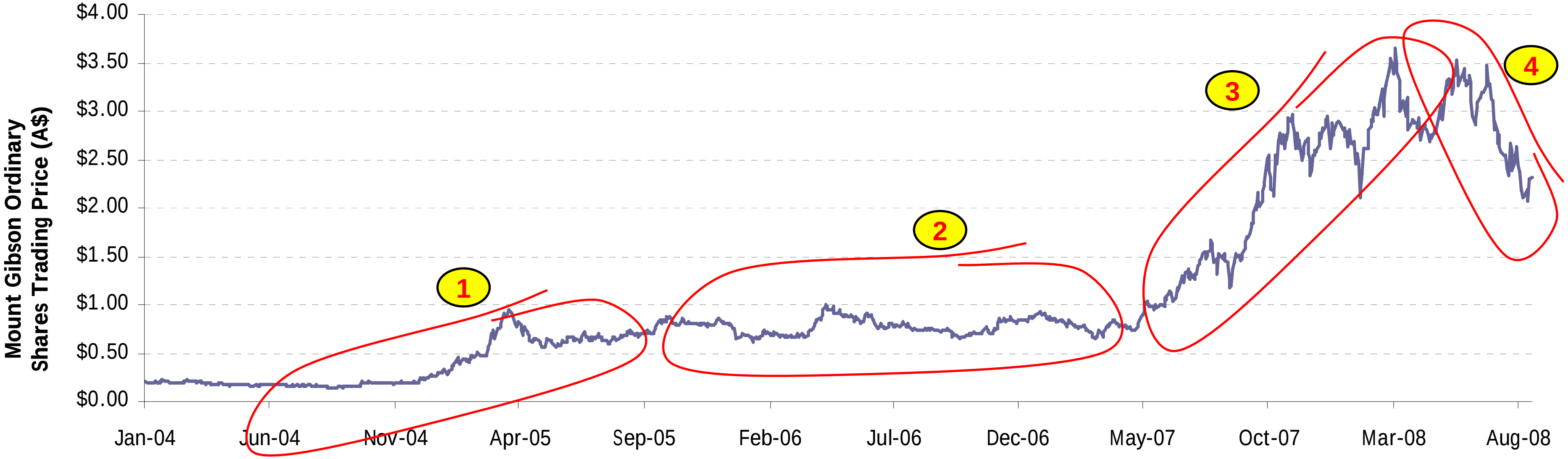



Notes:
1 Share price of $2.23 as at 15 August 2008
2 As at 31 July 2008
3 Includes $19 million NPAT on sale of magnetite project

# Company overview

- Australian based multi-operation hematite iron ore producer exporting 6 Mtpa to China
- Increasing production from current Ore Reserves to 10 Mtpa by 2010
- 3 open pit mining operations
- Experienced management team
- Strong iron ore price market driven by China demand
- Produces premium grade iron ore (lump and fines)
- Low capex requirements and low capital intensity
- Low risk operations – technical simplicity
- Mine life 8-10 years at existing operations with very strong expectation of longer life
- Strong cash flows
- Strong balance sheet

# Mount Gibson key event timeline




**Tallering Peak production commences**

- Jan 2004: Mining of hematite ore commenced at Tallering Peak Iron Mine
- Sep 2004: Maiden full year profit announced
- Jan 2005: Tallering Peak production expected to exceed budget of 1.8Mtpa, producing 2.0Mtpa
- March 2005: Announces profits of $6.1m for the H1 FY05 and revises profit forecast for H2 FY05 to $15.0m

**Production stabilised & growth explored**

- July & Oct 2005: new CFO and CEO
- Feb 2006: Completes feasibility study for 5mtpa magnetite project (Asia Iron)
- Jun 2006: 73% interest in Asia Iron Holdings and its magnetite project sold
- Jul 2006: Launches takeover offer for Aztec Resources
- Dec 2006: Announces compulsory acquisition of remaining Aztec shares

**Koolan Island production commences**

- Apr 2007: Mining reserves and mineral resources increased by 78% and 132% respectively
- Jun 2007: Off-take agreement signed with Rizhao for up to 1.5Mtpa from Koolan Island; first iron ore shipment from Koolan Island
- Aug 2007: Extension Hill DFS completed
- Oct 2007: 69% sales increase due to increased iron ore prices & production

**Volatile Equity Markets, Record Profits**

- April – July 2008: Significant downturn in global and local equity markets
- July 2008: Released 08 results
- Record full year NPAT of $113.3m
- Record annual production, sales, crushing, road cartage and road haulage
- Achieves a 96% and 80% increase in lump and fine ore prices respectively
- Extension Hill first production scheduled for 1H 2009
- Outstanding diamond drill hole intercepts on down dip extensions of Main and Acacia ore surfaces at Koolan Island

Source: Bloomberg; ASX company announcements

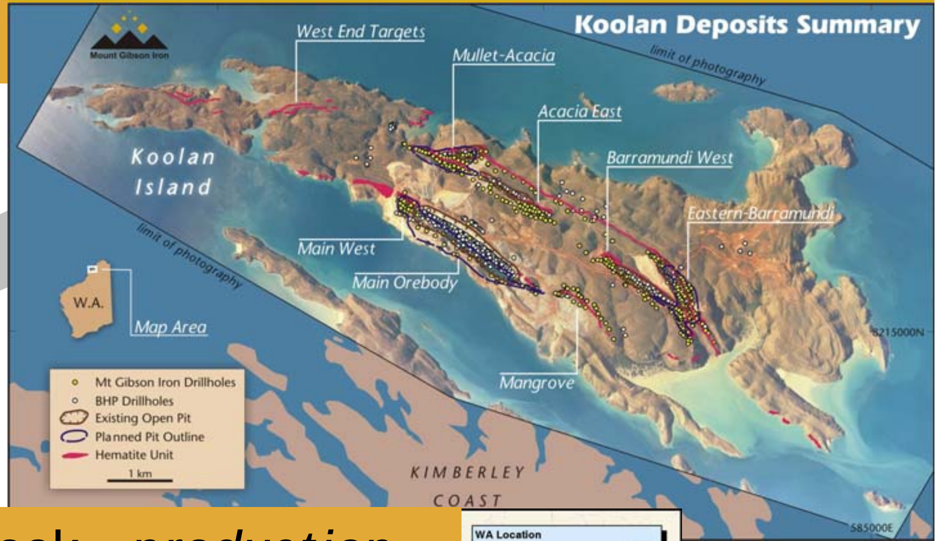
# Key investment themes

1. Quality assets
2. Solid growth profile
3. Earnings leverage to strong iron ore price outlook
4. Disciplined financial strategy & strong performance
5. Experienced - disciplined Board & executive team with proven track record

**… Mount Gibson has a solid investment case**

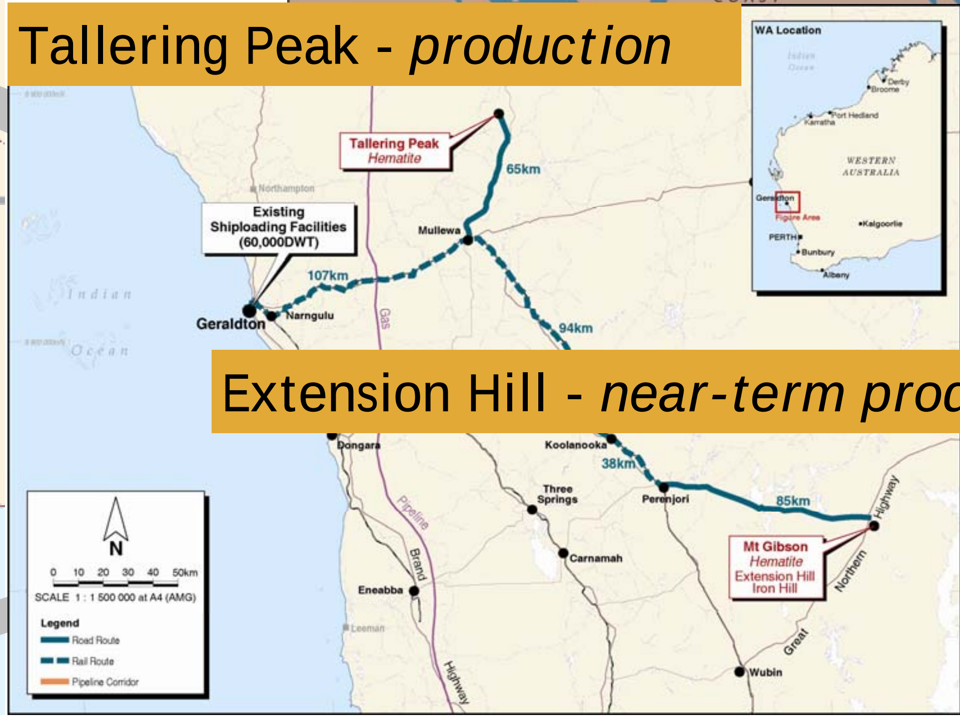
# 1 Quality assets

## Koolan Island - *production*


## Tallering Peak - *production*

## Extension Hill - *near-term production*




24/08/2008

# 1 Quality assets

## Tallering Peak

- Simple process – mine, crush, road, rail and load vessels
- First hematite ore shipped Feb 2004
- Producing 3 Mtpa
- 65% Lump & 35% Fines ratio
- Quality high grade, low contaminant product
- Access to installed infrastructure

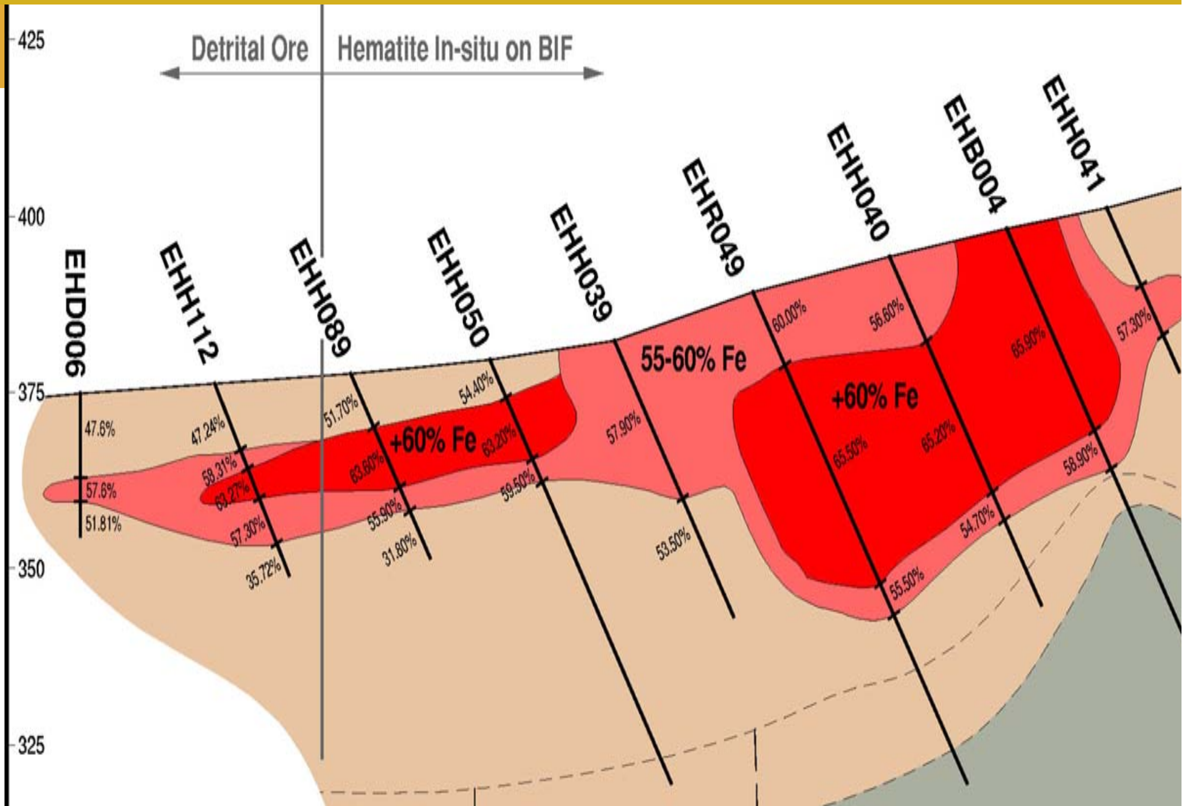
Main Range Pits looking west & east - June 2008


| | 12 months 2005-2006 | 12 months 2006-2007 | 12 months 2007-2008 | Annualised Variance |
|---|---|---|---|---|
| | '000 | '000 | '000 | % |
| Ore Mined wmt | 1,122 | 2,932 | 3,841 | ↑ 31% |
| Ore Crushed wmt | 1,608 | 2,711 | 3,364 | ↑ 24% |
| Shipped wmt | 1,386 | 2,312 | 2,568 | ↑ 11% |

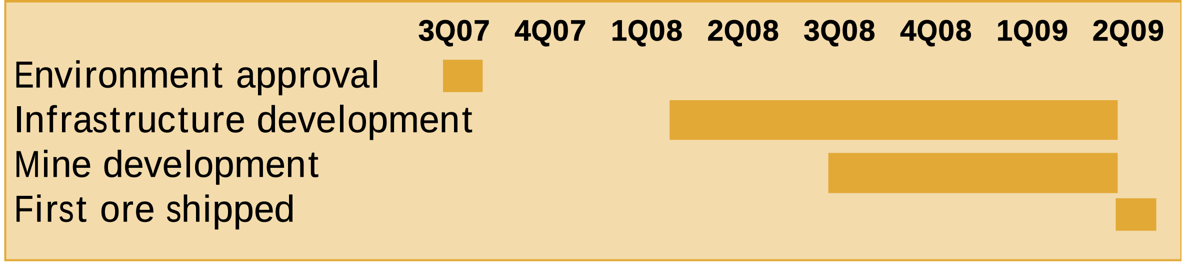
# 1 Quality assets

## Extension Hill

- Under development – first ore shipped June qtr 2009
- Low capital cost: $100m
- Simple process – mine, crush, road, rail and load vessels
- 3 Mtpa production rate
- Low strip ratio – 0.7:1
- 50% Lump & 50% Fines ratio
- Quality grade, low contaminant, high LOI ore
- Convert resources to reserves
- Operationally robust and straightforward
- Immediate cash generator




## Extension Hill development timeline

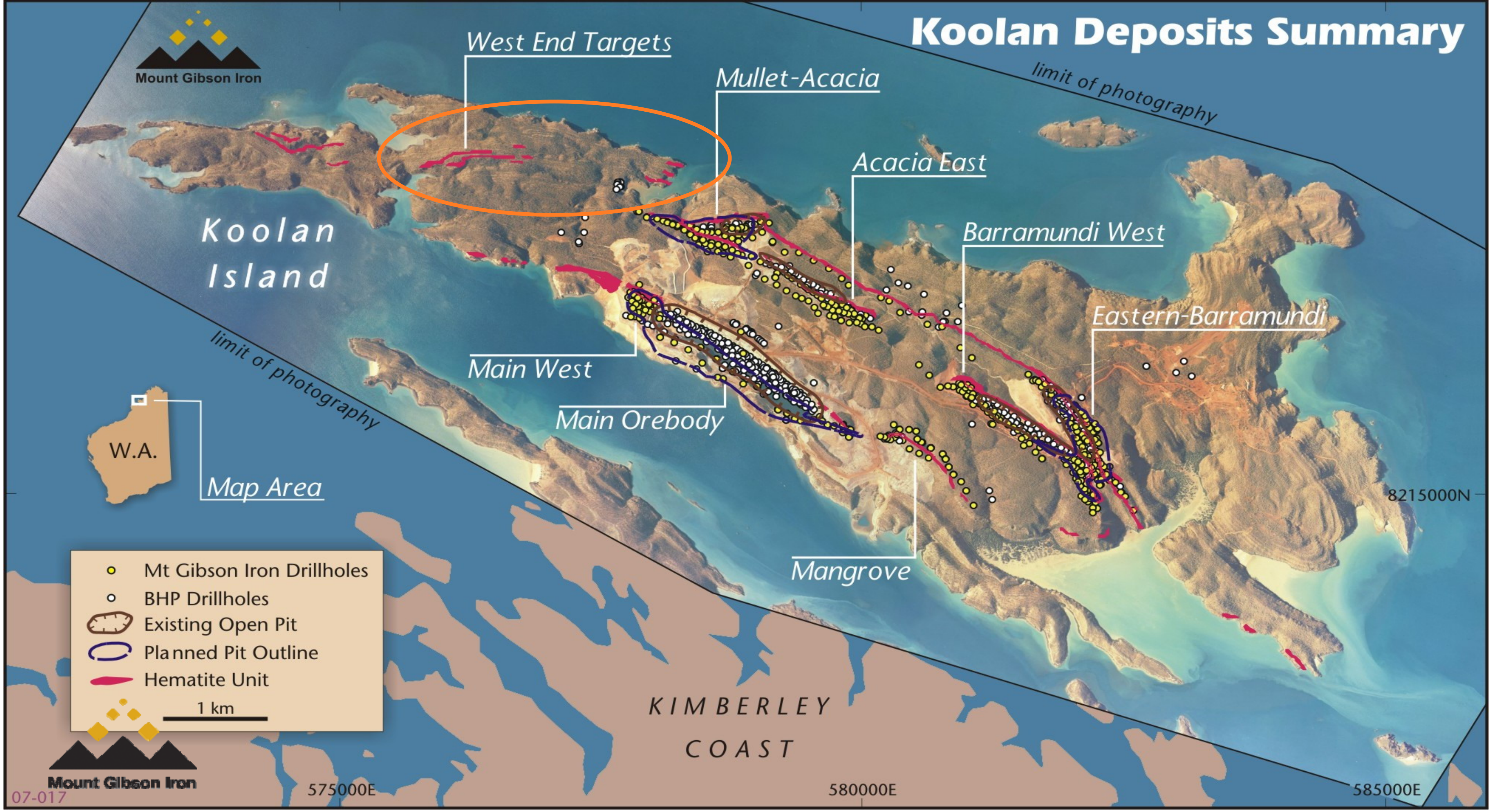


# 1 Quality assets

Geraldton Port – Berth 4 & 5

# 1 Quality assets

## Koolan Island provides significant upside potential …



# 1 Quality assets

## Koolan Island

- Ex BHP mine – closed 1992
- Mine, crush and shipload
- First hematite ore shipped June 2007
- Production ramping up to 4 Mtpa by June qtr 2010
- Currently mining from satellite orebodies
- Access premium Main Pit orebody – 1 Qtr 2010
- 30% Lump & 70% Fines ratio (initial production 40% Lump & 60% Fines)
- Longer term quality high grade, low contaminant product
- Installed infrastructure capacity 6 Mtpa

## Crushing, port & ship-loading facilities

| | 12 months 2006-2007 | 12 months 2007-2008 | Annualised Variance |
|---|---|---|---|
| | ‘000 | ‘000 | % |
| Ore Mined wmt | 559 | 3,047 | **445%** |
| Ore Crushed wmt | 274 | 2,973 | **985%** |
| Shipped wmt | 150 | 2,900 | **1,833%** |

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# 1 Quality assets

Koolan Main Pit - World class grade and quality – 66.5% Fe, 3.48% $SiO_2$, 0.69% $Al_2O_3$, 0.019% P, 0.3 LOI

# 1 Quality assets

## Koolan Island Main Pit – World class high grade DSO

- 37 metres wide
- 1.5 km along strike
- 205,000 ore tonnes per vertical metre
- Access to Main Pit requires:
  - Construct seawall
  - De-water
  - Footwall rehabilitation
- Commenced Jan 2008 - scheduled to take 18 months
- Low technical risk


Main Pit seawall construction - June 2008

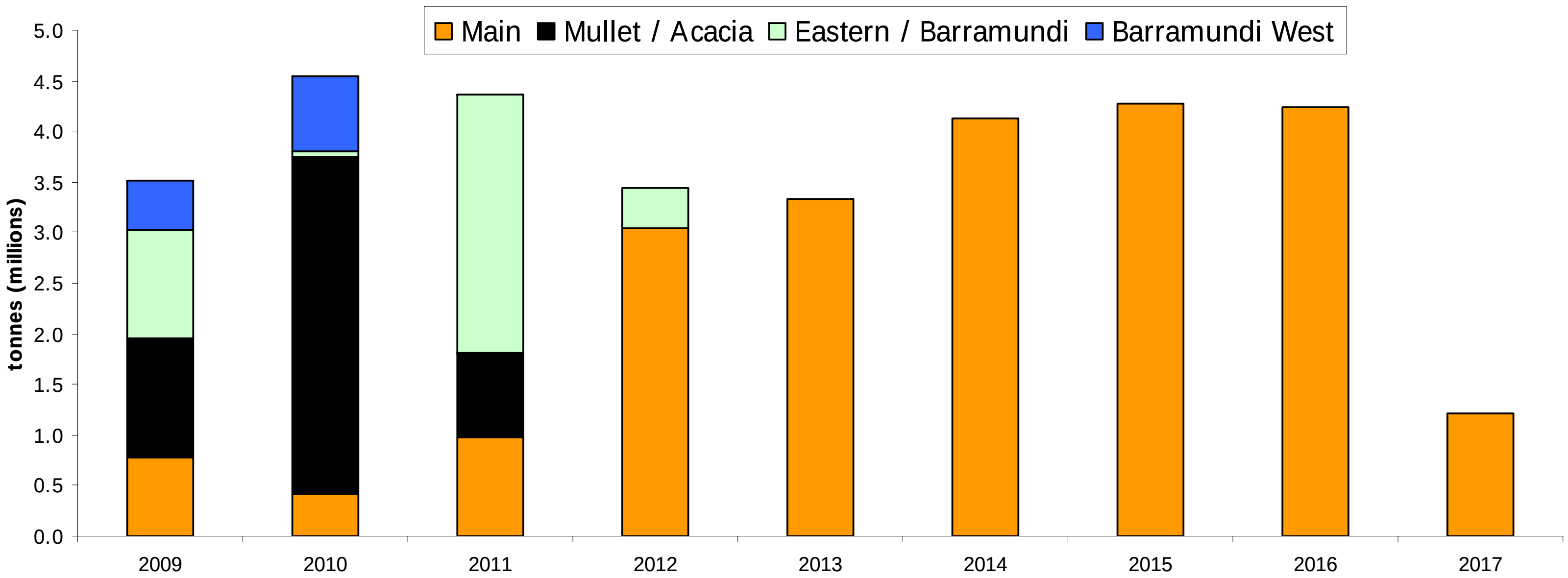
# 1 Quality assets

Main West ore-body has ensured timely access to Koolan Island Main Pit as satellite pits are mined …



# 1 Quality assets

## Koolan – Ore sources




- Satellite pits contain lower grade and quality than main pit
- Increase production to 4Mtpa in FY2010
- Main Pit access in 2 stages has commenced
  - Ore currently sourced from Main West cutback
  - Ultra high grade ore sourced from 2011 at +65% Fe

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# 1 Quality assets

| Key Statistics | Tallering Peak | Koolan Island | Extension Hill | Combined |
|---|---|---|---|---|
| **Reserves and Resources**[1] | | | | |
| **Reserves** (Mt)<br>*Proven & Probable* | 18.3 | 29.9 | 12.8 | **62.0** |
| **Mineral Resources** (Mt)<br>*Measured, Indicated & Inferred* | 21.0 | 62.8 | 19.5 | **103.3** |
| **Reserve Specifications** | | | | |
| Fe % | 61.7 % | 64.8 % | 60.3 % | |
| $SiO_2$ | 5.32 % | 5.32 % | 5.48 % | |
| $Al_2O_3$ | 2.60 % | 0.99 % | 1.64 % | |
| P | 0.025 % | 0.018 % | 0.06 % | |
| LOI | 1.85 % | 0.52 % | 6.20 % | |
| Calcined Fe % | 62.9 % | 65.1 % | 64.3 % | |

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Note:
1 As at 30 June 2007

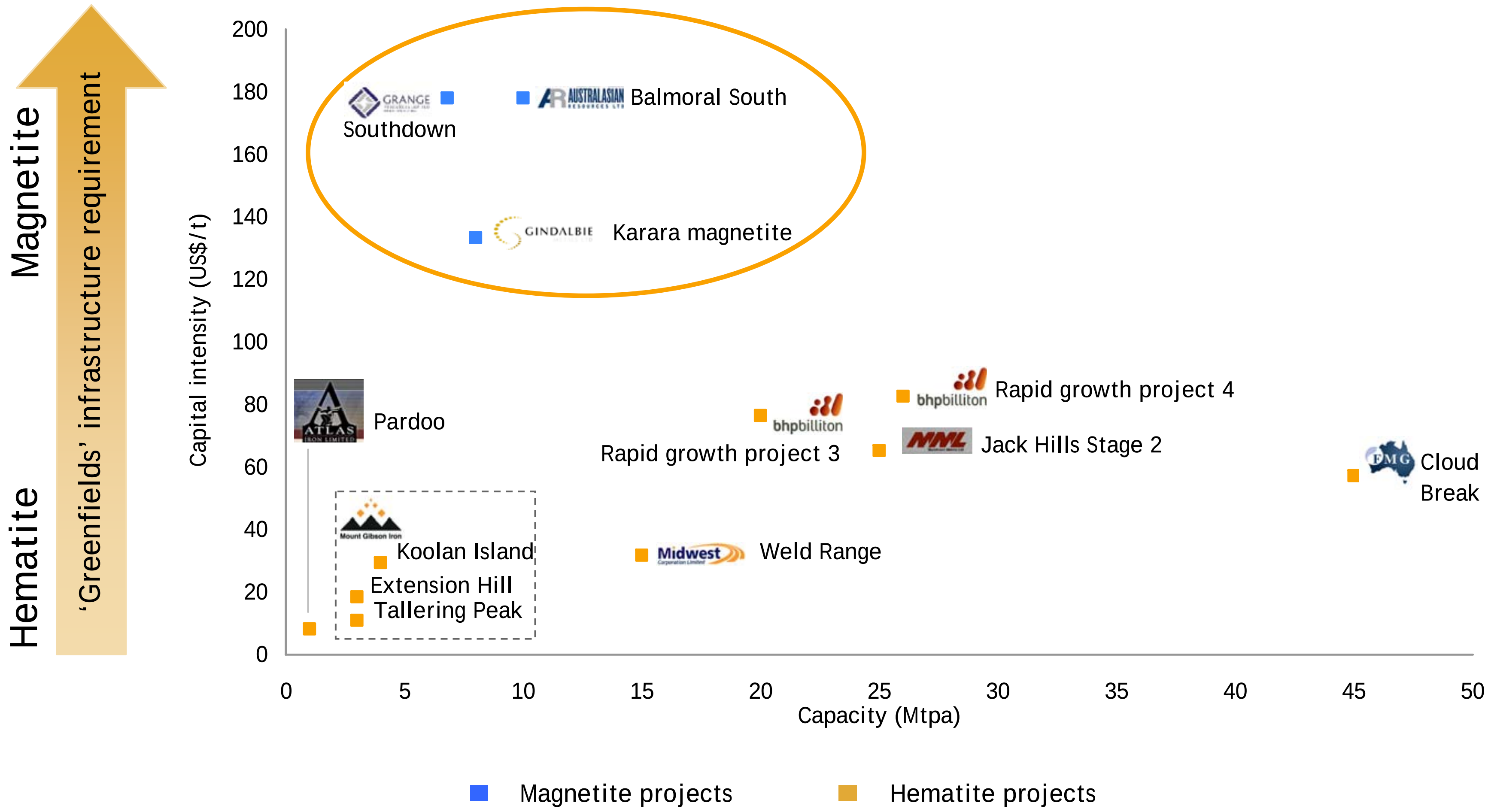
# 1 Quality assets

## Key Statistics

| | Tallering Peak | Koolan Island | Extension Hill | Combined |
|---|---|---|---|---|
| **Operations Data** | | | | |
| Annual production (Mtpa) | 3 | 4 (target) | 3 (target) | 10 |
| Expected minimum mine life | 6 | 8 | 6 | |
| Lump : Fines ratio | 65% : 35% | 30% : 70% | 50% : 50% | |
| Truck (km) | 65 | - | 85 | |
| Rail (km) | 107 | - | 240 | |
| Strip ratio (t : t) | 6:1 | 6:1 (est.) | 0.7:1 | |
| Port | Geraldton | Koolan Island | Geraldton | |

# 1 Quality assets

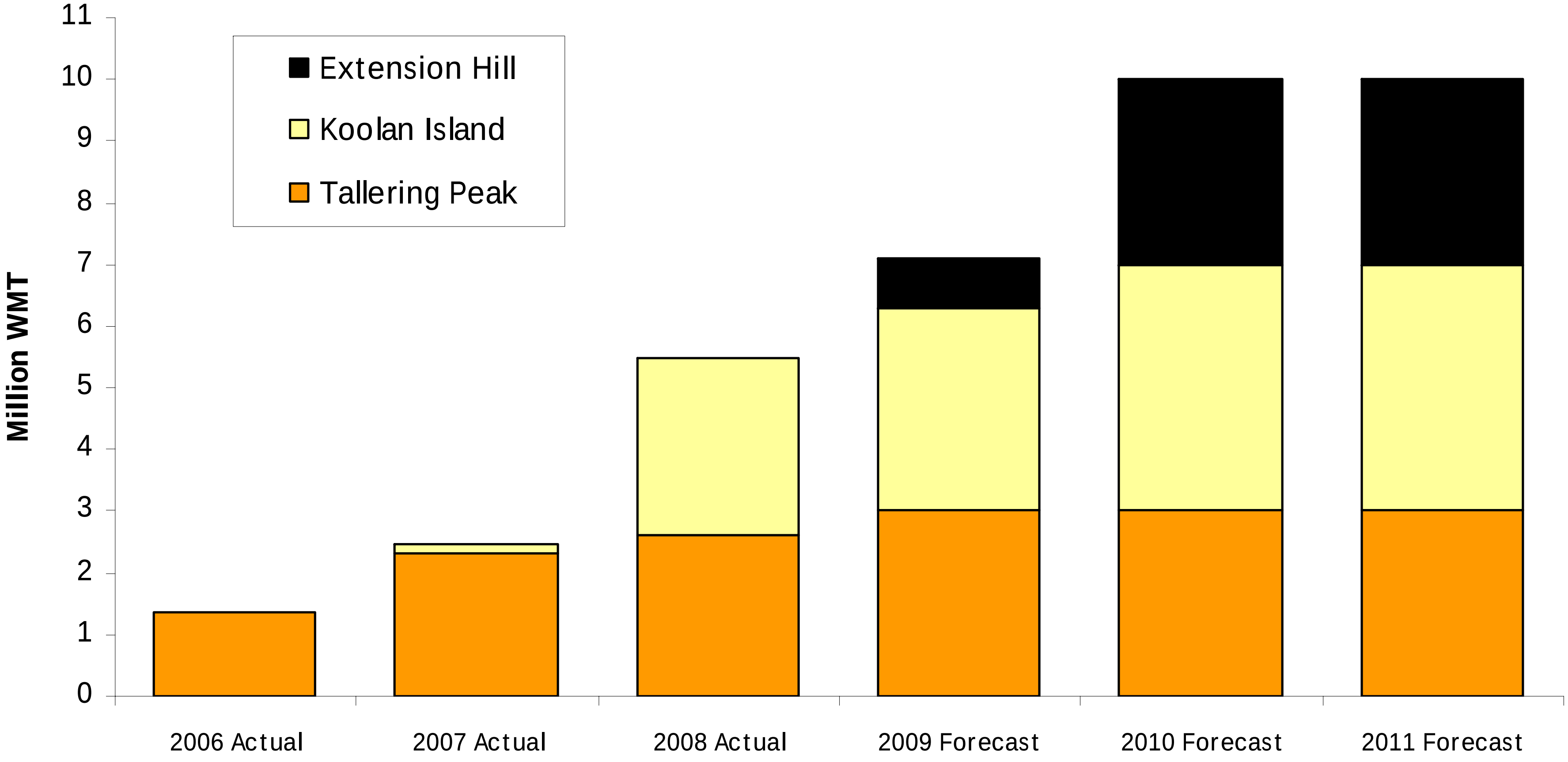
Mount Gibson's projects have amongst the lowest capital intensity of any of its peers …




Source: Company reports

# 2 Solid growth profile

Production growth to reach full production by 2010 … based on reserves

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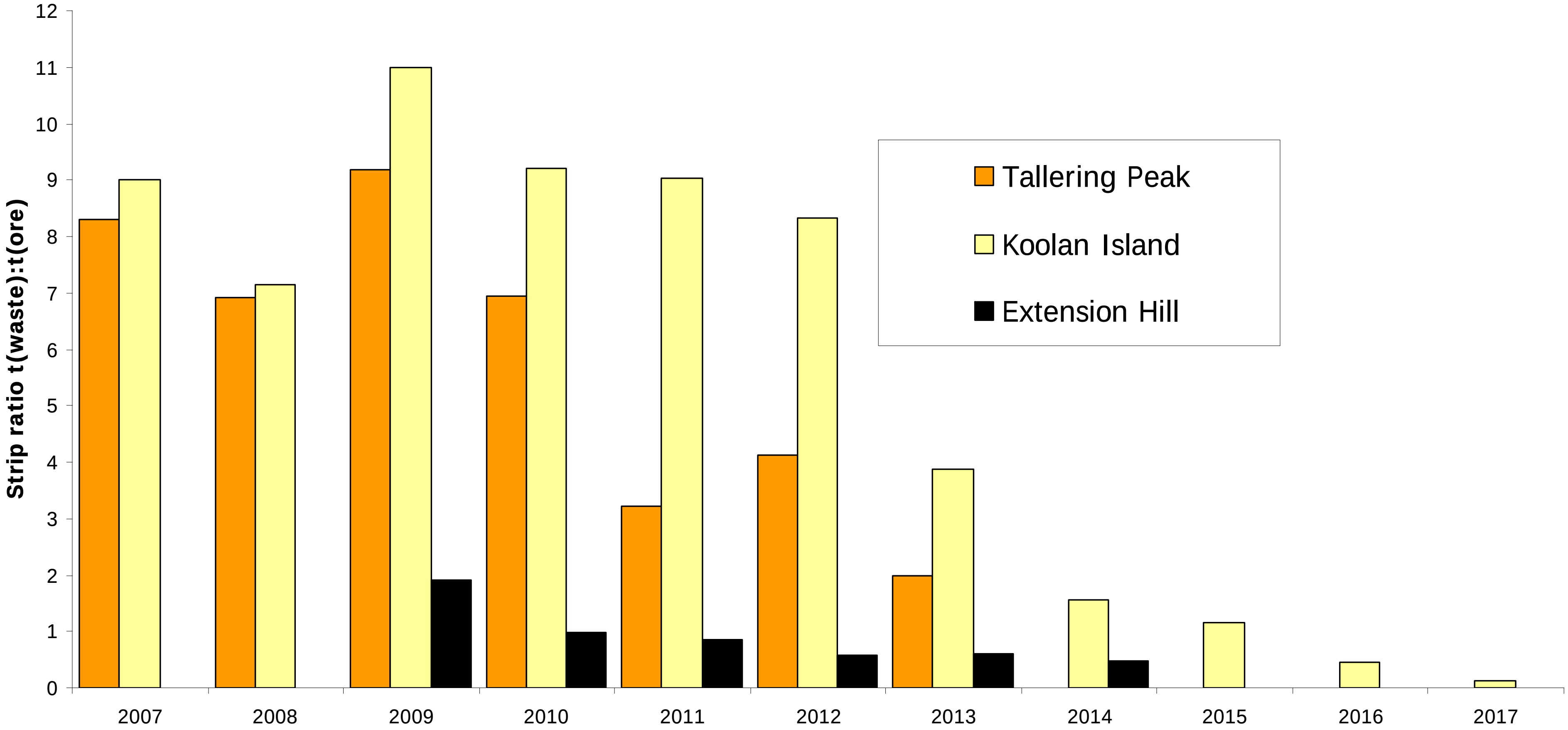
# 2 Solid growth profile

Life of Mine strip ratio's continue to decline … based on reserves

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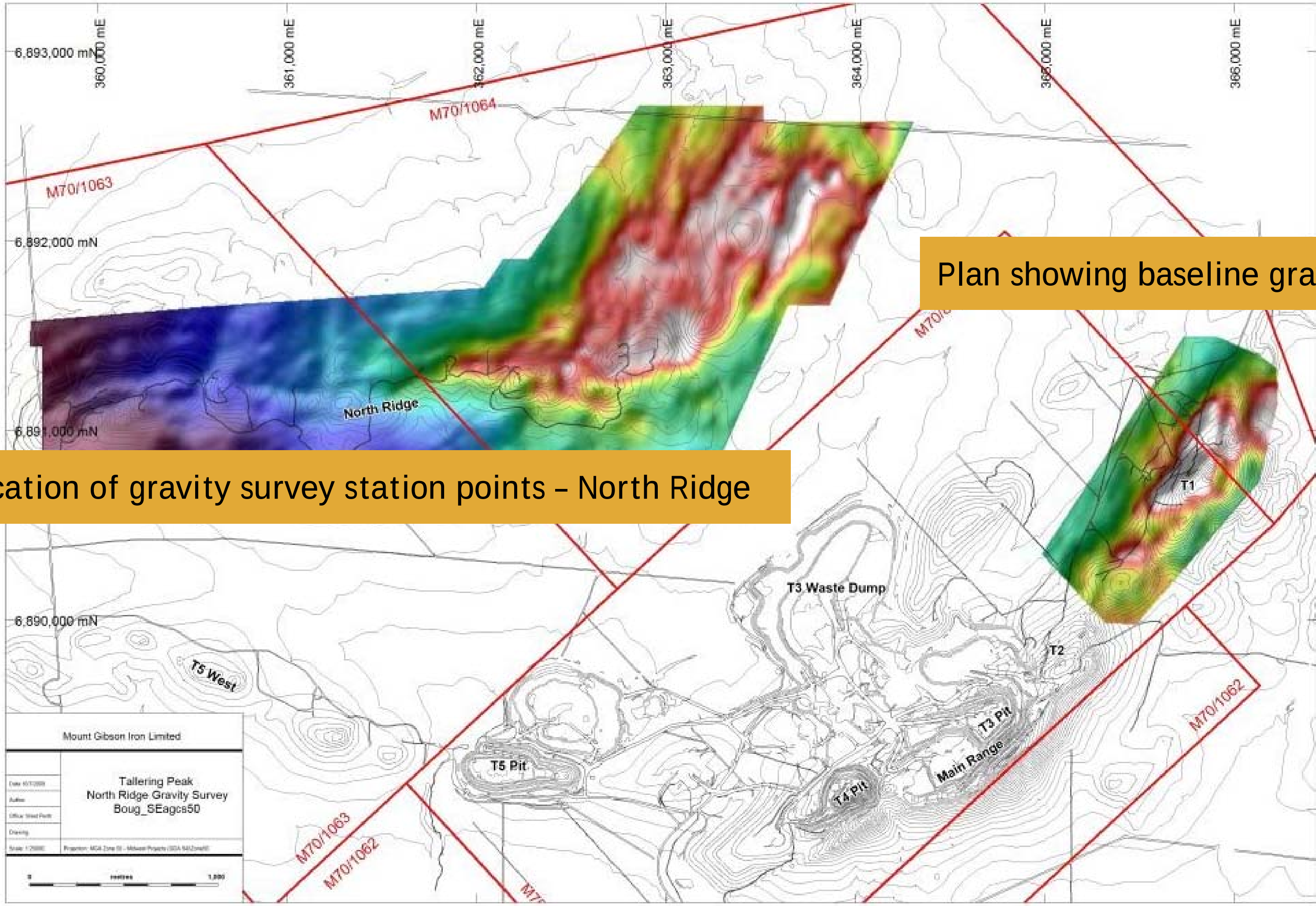
# 2 Solid growth profile

## Organic growth opportunities ...

- T1 & North Ridge at Tallering Peak
- Extension Hill conversion of resource to reserve
- Koolan:
  - Western side of the Island unexplored with known surface hematite identified
  - Main Pit underground potential – outstanding synclinal targets
- Prospective tenement holding

# 2 Solid growth profile

## Tallering Peak – North Ridge and T1 gravity survey

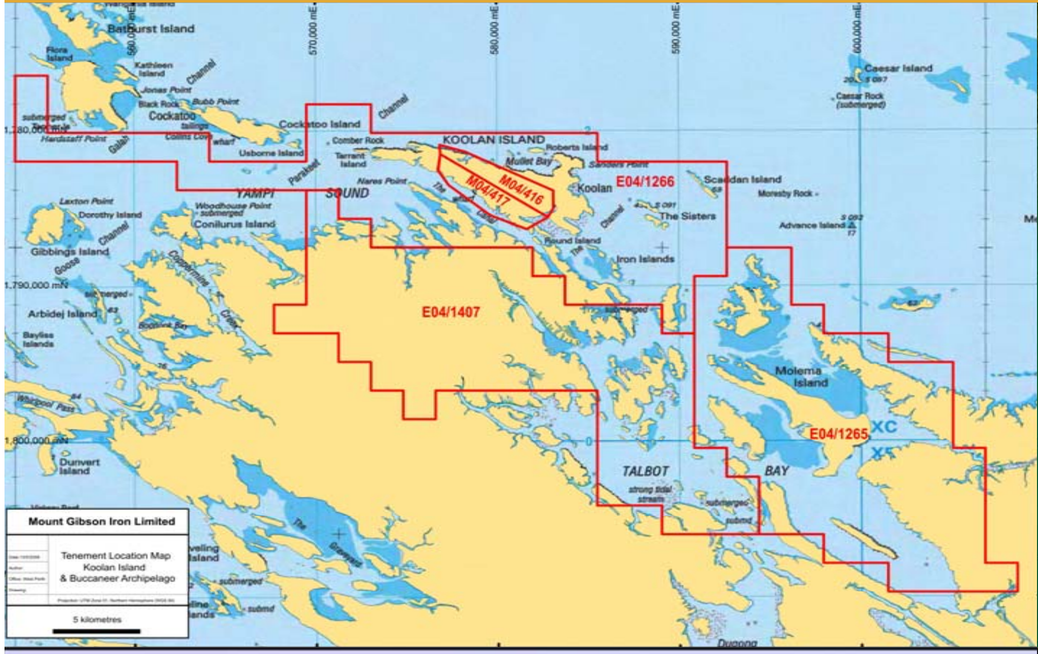


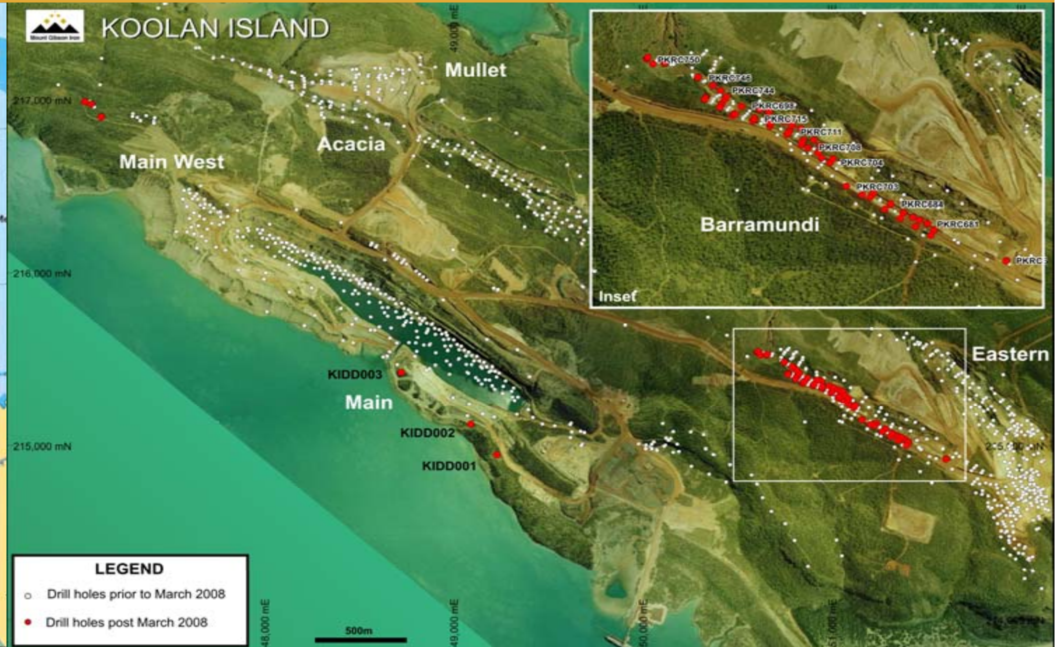

Plan showing baseline gravity survey – T1

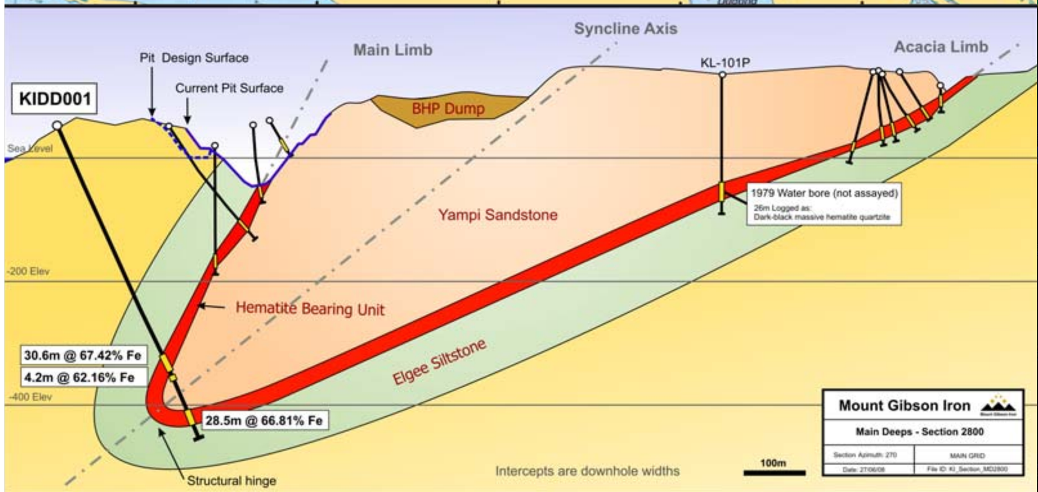
Plan showing location of gravity survey station points – North Ridge

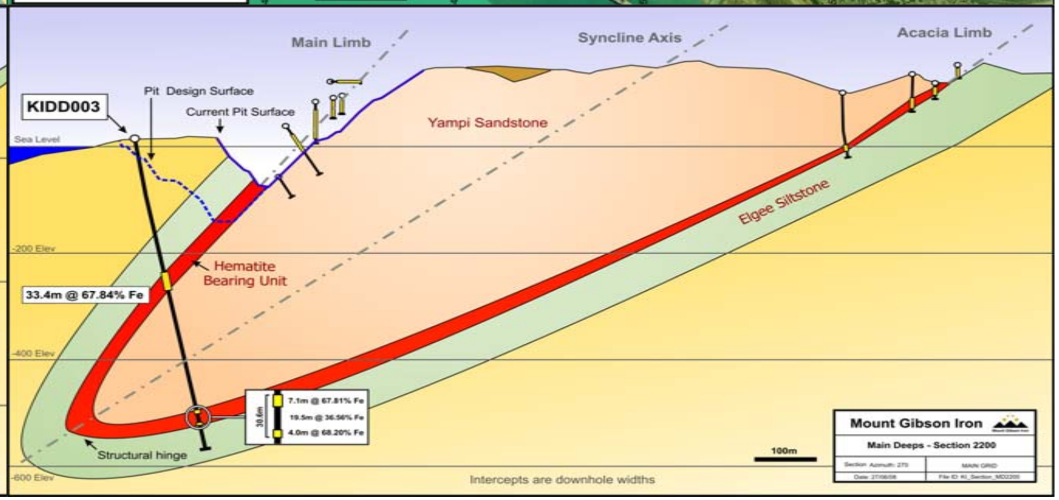
# 2 Solid growth profile

Extensive mineralised surfaces to be drill tested on Koolan Island and further tenements to be explored …



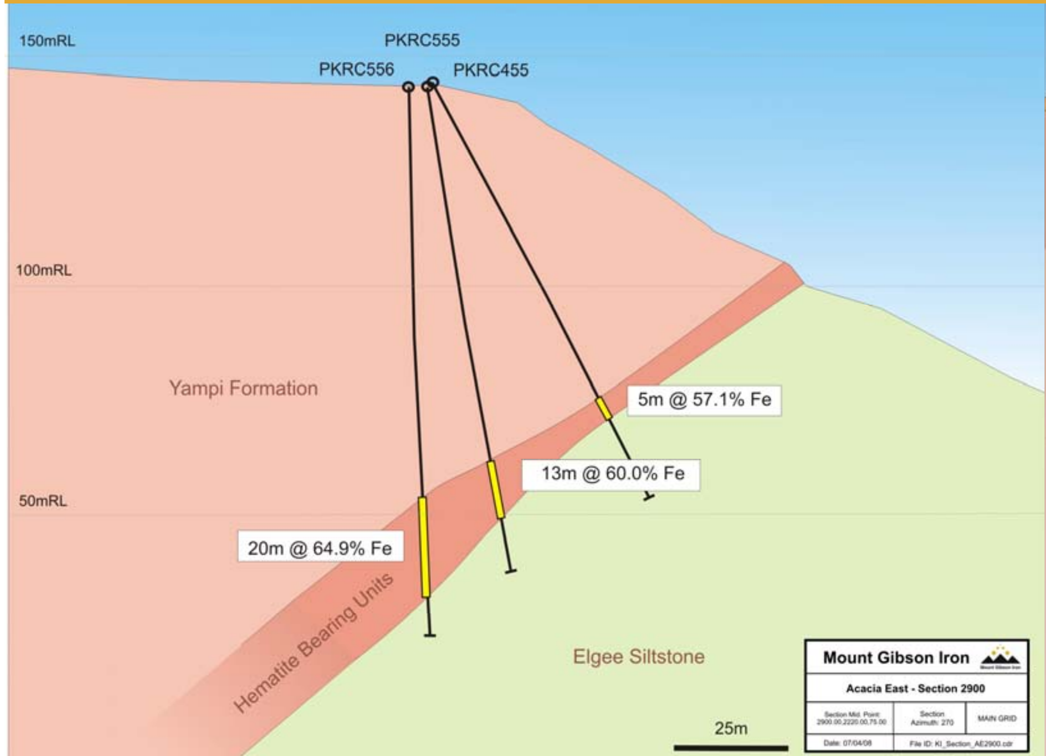



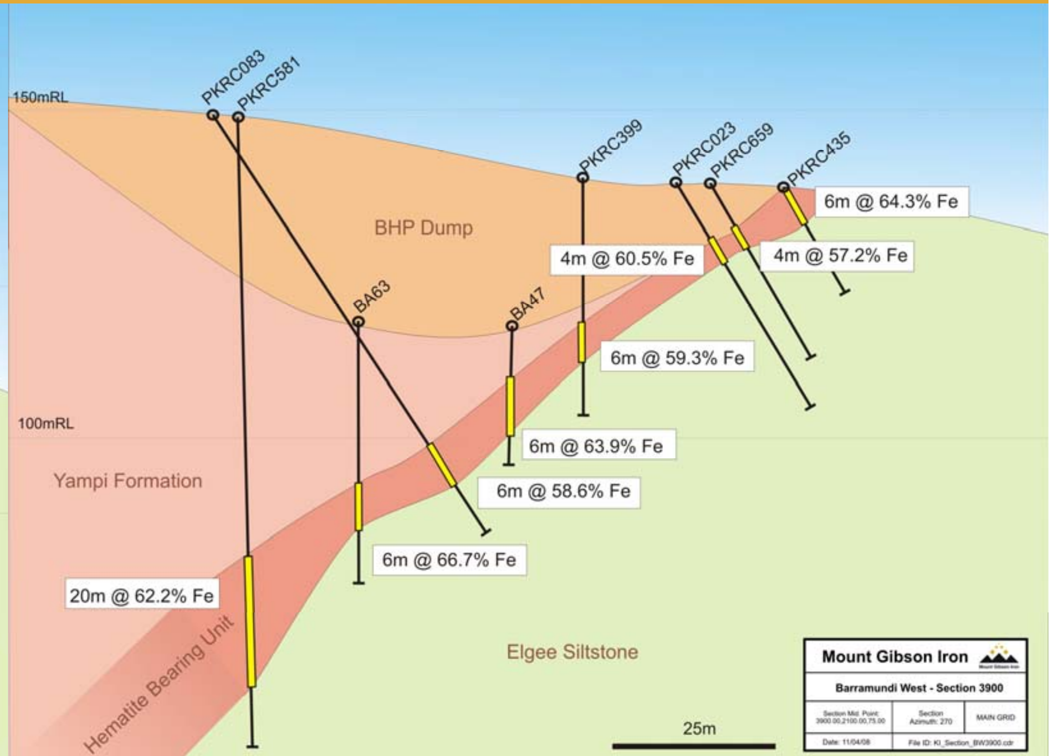



# 2 Solid growth profile

## Recent drilling in Acacia & Barramundi – increasing grade and width with depth




Section 2900E, Acacia East




Section 3900E, Barramundi West

# 2 Solid growth profile

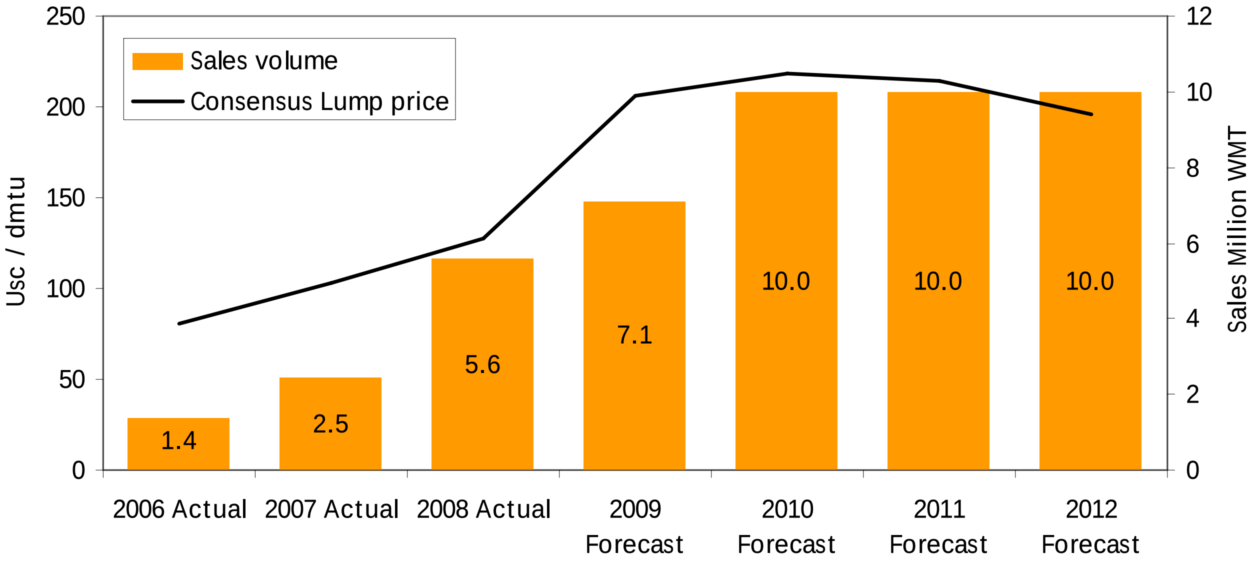
## M&A opportunities in core steel production inputs – iron ore & quality coal

Acquisitions that:

- Lift Mount Gibson production to +15Mtpa
- Provide longer life (>15 years) and lower cost
- Produce quality sought after products
- Are at pre-feasibility or feasibility stage
- Are preferably scrip based utilising Mount Gibson strong cash flows to fund project development

# 3 Earnings leverage to strong iron ore price

## Substantial increases in iron ore prices…




Source: Consensus, Macquarie, Merrill Lynch, UBS, Goldman Sachs, Citi, Morgan Stanley, RBC, JP Morgan, CRU forecasts

**Mount Gibson has captured the sweet spot of the cycle …**

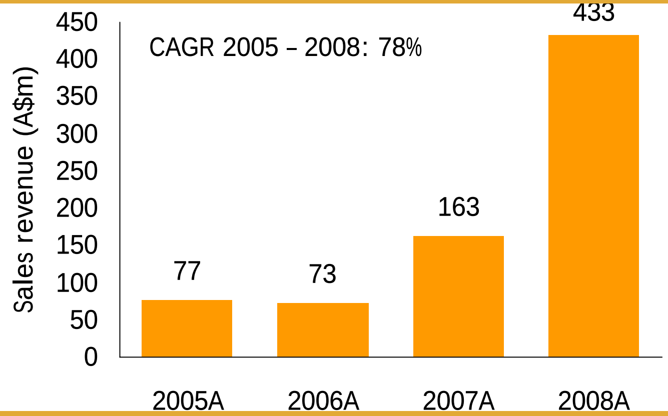
- ✓ Current production with developments to reach full production by 2010
- ✓ 100% current production and 50% Extension Hill production contracted
- ✓ Capturing price upside through Hamersley benchmark contract prices

# Disciplined financial strategy & strong performance

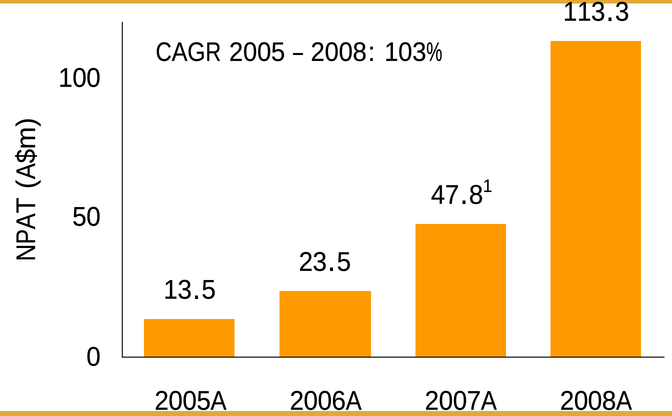
4

## Good operating margins…

### 2005-2008 sales revenue




### 2005-2008 net profit




### Disciplined risk management strategy

**Mount Gibson has…**

- ✓ First mover status & access to existing infrastructure
- ✓ Substantially improved operational performance
- ✓ Divested high risk, high cost and capitally intensive assets
- ✓ Provided a comprehensive organic growth plan
- ✓ Demonstrated M&A credentials

### Strong cash flow generation

- ✓ Growing production profile
- ✓ Robust iron ore price outlook
- ✓ Clean & strong balance sheet
- ? Continued operating and capital cost pressures

**Reinvestment of capital for growth**
— organic (exploration, development)
— M&A
**Or return to shareholders**

Source: Mount Gibson, Company reports

Note:

1. Includes contribution of $18 million on sale of magnetite project during period

# 5 Experienced - disciplined Board & executive team with proven track record

## Experienced Board & executive management team

**Mr Neil Hamilton**
**Chairman**
**LLB**

- Appointed Non-Exec Chairman in April 07
- 23 years experience as a director of publicly listed companies
- Chairman of IRESS and Non – Exec of Insurance Australia Limited and Programmed Maintenance Services Ltd

**Mr Luke Tonkin**
**Managing Director**
**B.E., MAusIMM, AICD**

- Appointed in Oct 05
- 22 years experience, with management and executive roles with WMC (KNO, St Ives, Leinster, CNGC) and Sons of Gwalia
- Multi commodity executive and operational experience

**Mr Alan Rule**
**CFO**
**B.Comm, B.Acc, CA**

- Appointed CFO in Jun 07
- Finance Director Jul 05 – Jun 07
- Extensive experience in financial roles & international financing of mining projects
- CFO Western Metals and St Barbara

**Mr Craig Readhead**
**Non-Executive Director**
**B.Juris, LLB, AICD**

- 26 years practicing in resources law
- Partner in law firm Pullinger Readhead Lucas
- Non-Exec' Director of Heron Resources, Galaxy Resources, Halcyon Group, Frankland River & Olive Company
- Past President of AMPLA and Vice President of AMEC

**Mr Ian MacIiver**
**Non-Executive Director**
**B.Comm, CA, F Fin, AICD**

- MD of Grange Consulting Group Pty Ltd
- Many years experience as senior exec' & Director of resource & industrial companies with responsibility for capital raising & other corporate initiatives

**Mr Alan Jones**
**Non-Executive Director**
**CA**

- Appointed July 2006
- Extensive senior management & Board in listed & unlisted Australian public companies, particularly in construction, engineering, finance and investment industries
- Non - Exec of APAC Resources Ltd
- Merger & acquisition expertise

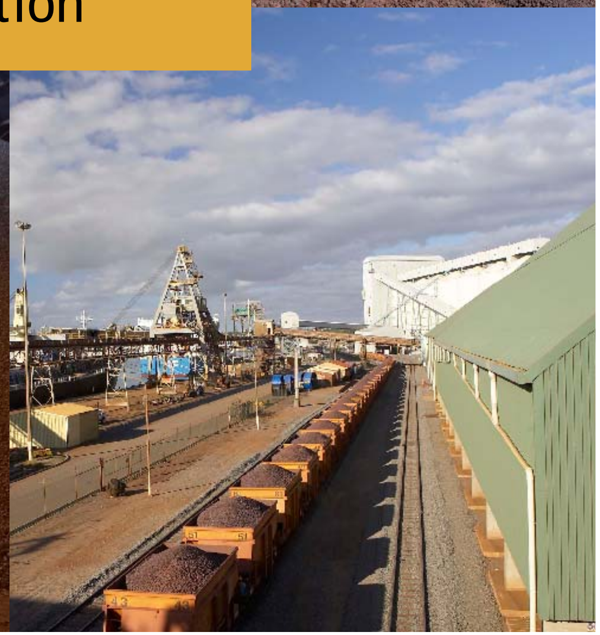
## Proven track record

| | | |
|---|---|---|
| **Produced ore tonnage 2007-2008:** | ↑ | **97%** |
| **Shipped ore tonnage 2007-2008:** | ↑ | **122%** |
| **Sales revenue 2007-2008:** | ↑ | **166%** |
| **NPAT 2007-2008:** | ↑ | **137%** |
| **Net assets 2007-2008:** | ↑ | **31%** |

# Tallering Peak

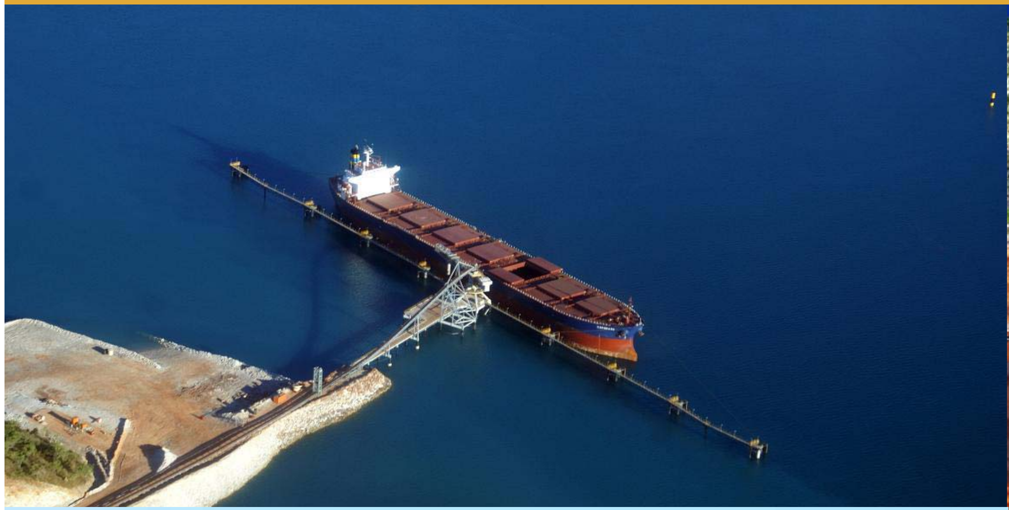


Access to infrastructure – full production



# Koolan Island

## Installed infrastructure – capacity 6Mtpa



# 2008 Financial results - P&L

| | | 12 months ended 30 June 2008 | 12 months ended 30 June 2007 | % |
|---|---|---|---|---|
| Sales volume | 000 wmt | 5,343 | 2,418 | 121% |
| Sales revenue | $ mill | 432.7 | 162.7 | 166% |
| Other revenue | $ mill | 2.5 | 2.3 | 11% |
| **Total revenue** | $ mill | **435.2** | **165.0** | 164% |
| Cost of sales | $ mill | (244.6) | (109.0) | 125% |
| **Gross profit** | $ mill | **190.6** | **56.0** | 240% |
| Gross Profit % | | 43.7% | 33.9% | |
| **Operating profit before tax** | $ mill | **163.9** | **42.3** | 288% |
| Taxation (expense) | $ mill | (50.6) | (13.2) | 282% |
| **Operating profit after tax #** | $ mill | **113.3** | **29.1** | 290% |

# Excludes NPAT of $18.7 million on sale of Asia Iron in FY2007

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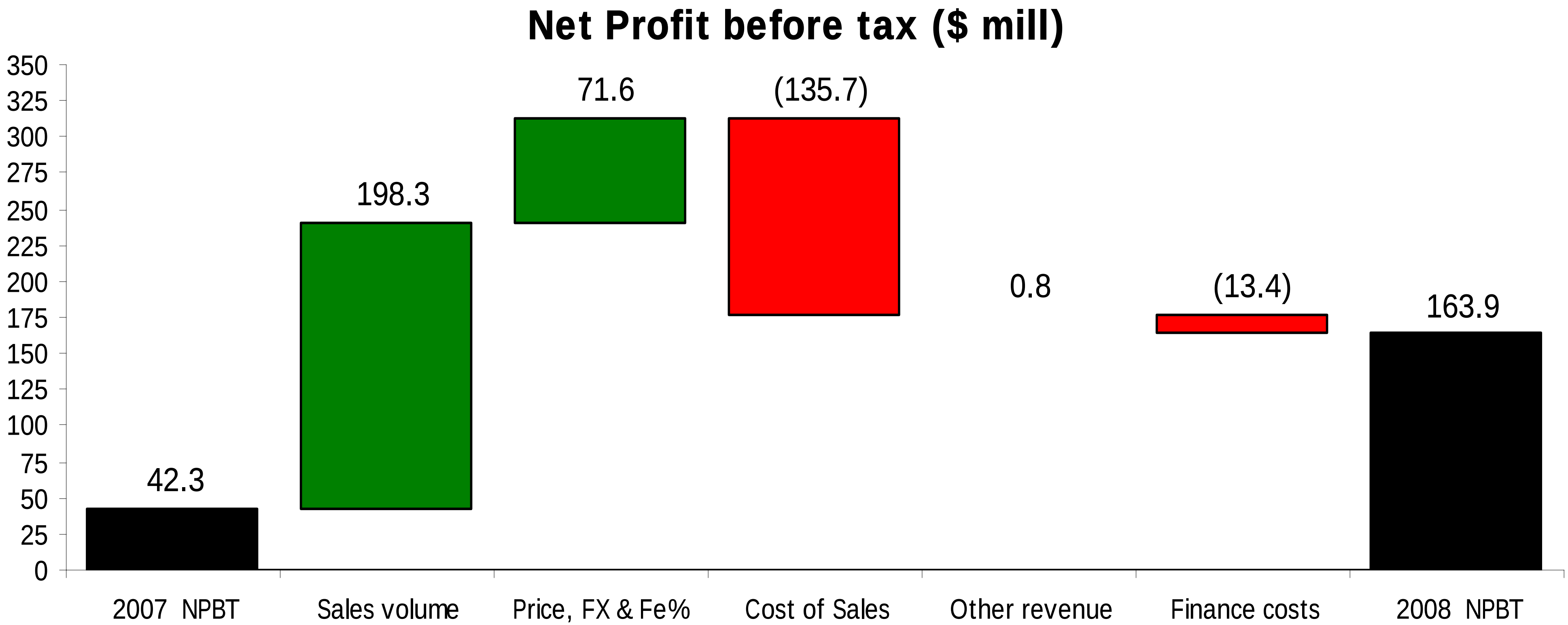
# 2008 Financial results - P&L




Average FOB cost including financing costs and royalties increased 6.1% from $45.90 to $48.69

# 2008 Financial results - Balance Sheet

| | | 12 months ended 30 June 2008 | 12 months ended 30 June 2007 | % |
|---|---|---|---|---|
| **Current assets** | **$ mill** | **230.3** | **111.3** | 106% |
| **Total assets** | **$ mill** | **894.0** | **692.5** | 29% |
| **Total senior debt** | **$ mill** | **105.0** | **87.5** | 20% |
| **Finance leases and HP's** | **$ mill** | **56.6** | **66.8** | (15%) |
| **Net assets** | **$ mill** | **596.5** | **454.3** | 31% |

- Strong, clean balance sheet
- Senior debt repayment review date 30 June 2010
- No foreseen senior debt draw downs – FY2009 cashflow sufficient to fund Extension Hill and Koolan capex
- $90 mill in new finance leases in FY2009

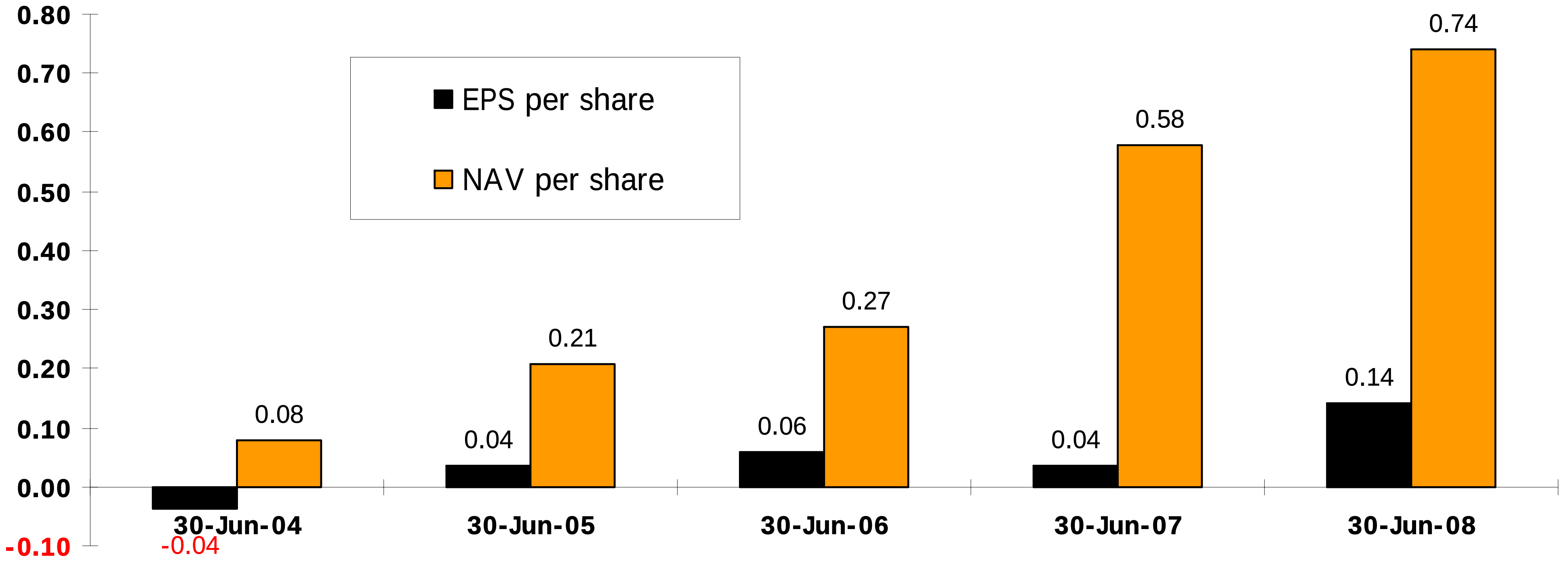
# 2008 Financial results - Cash Flow

| | | 12 months ended 30 June 2008 | 12 months ended 30 June 2007 | % |
|---|---|---|---|---|
| **Operating cash flows** | **$ mill** | **45.8** | **3.1** | 43% |
| **Investing cash flows** | **$ mill** | **(64.1)** | **(18.6)** | 100% |
| **Financing cash flows** | **$ mill** | **6.2** | **68.9** | (91%) |
| **Net (decrease) / increase in cash** | **$ mill** | **(12.1)** | **53.4** | (122%) |
| **Closing cash** | **$ mill** | **48.7** | **60.8** | |

- $70 million debtors invoiced 24 June 2008 not received by 30 June
- Investing cashflows include:
  - $12 million stamp duty on Aztec acquisition
  - $15 million on Extension Hill
  - $18 million at Koolan on seawall, footwall rehab and dewatering

Mount Gibson Iron

# 2008 Ratios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0.00
-0.10
EPS per share
NAV per share
0.08
-0.04
0.04
0.21
0.06
0.27
0.04
0.58
0.14
0.74
30-Jun-04
30-Jun-05
30-Jun-06
30-Jun-07
30-Jun-08