

# Mount Gibson Iron



Taking the next step



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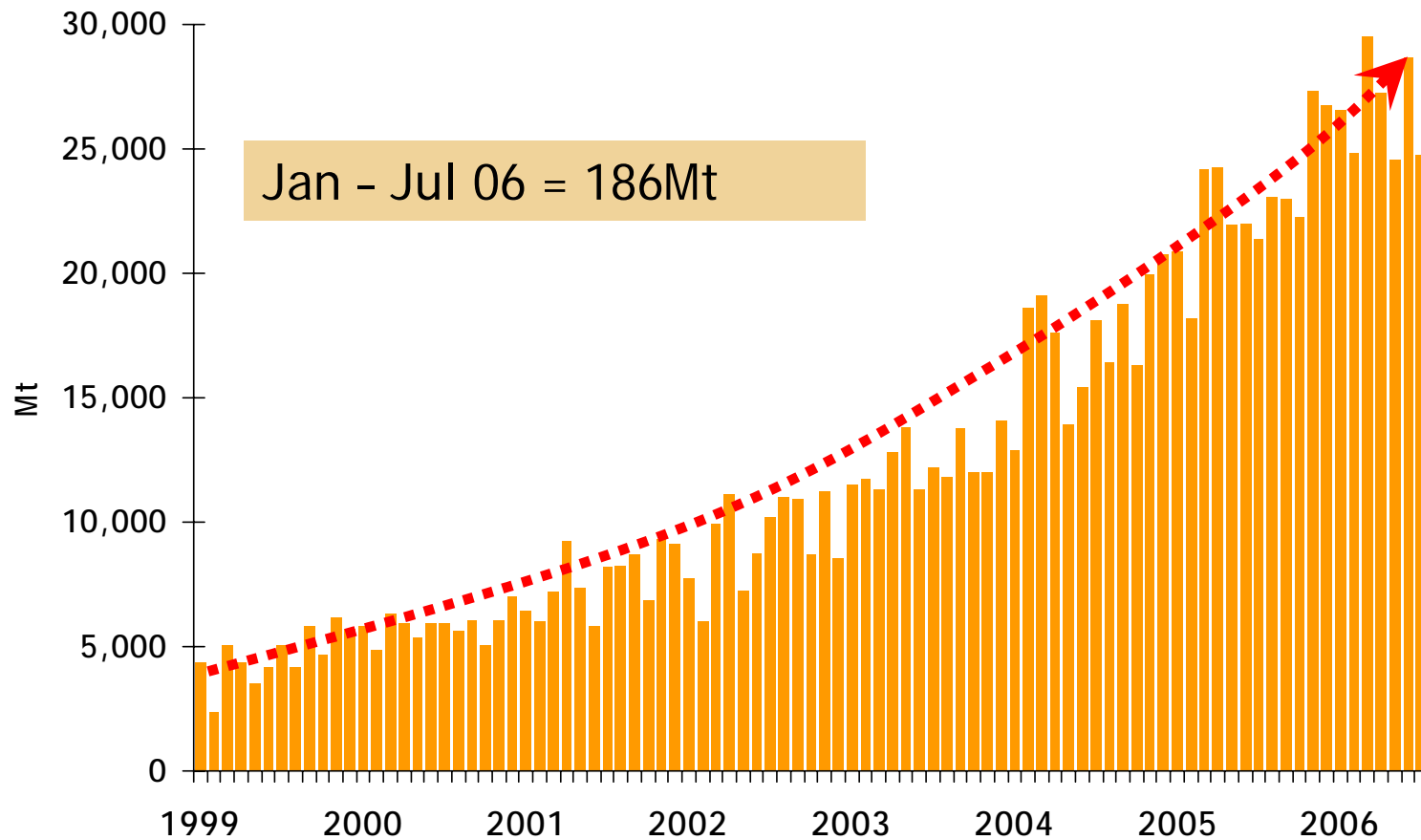
Investments in shares in MGI is considered highly speculative.

# Highlights

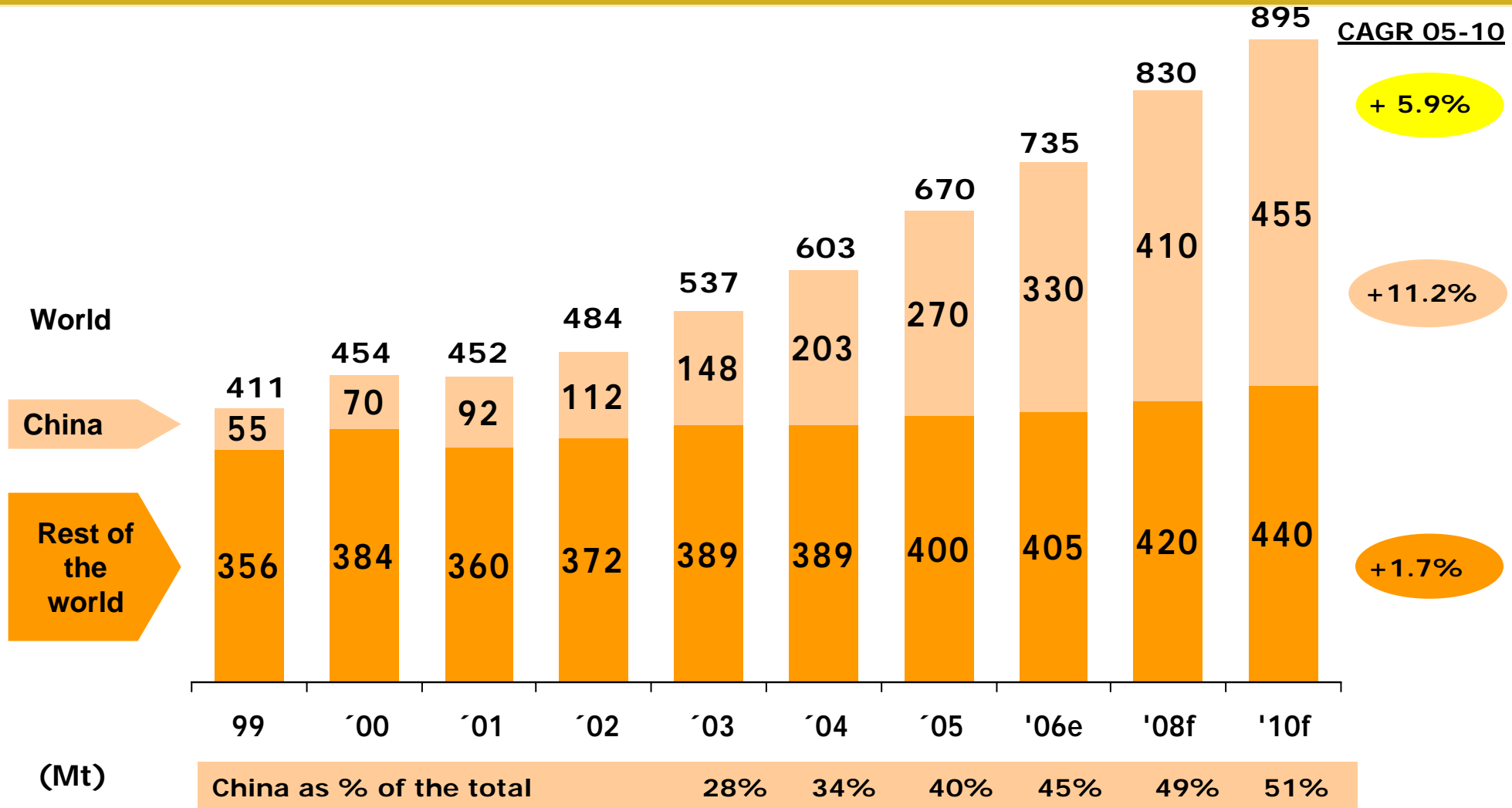
- Record profit
- Market capitalisation has increased by in excess of 50%
- Achieved record production rates
- Record shipping rates expected in the December quarter
- Increased reserves by 75%
- Promising drill intersections along strike and adjacent to current operation
- Completed the Extension Hill hematite desktop study which demonstrated the mine can provide outstanding financial results
- Sold Asia Iron for \$52.5 million of which \$40 million has been paid and the balance is to be paid no later than 31 May 2007
- Large scale overseas iron ore and steel producer attracted to Mount Gibson's share register paying a premium
- Mount Gibson has secured in excess of 55% of Aztec and has welcomed the unanimous recommendation of the Aztec Board of directors

# Chinese monthly iron ore imports

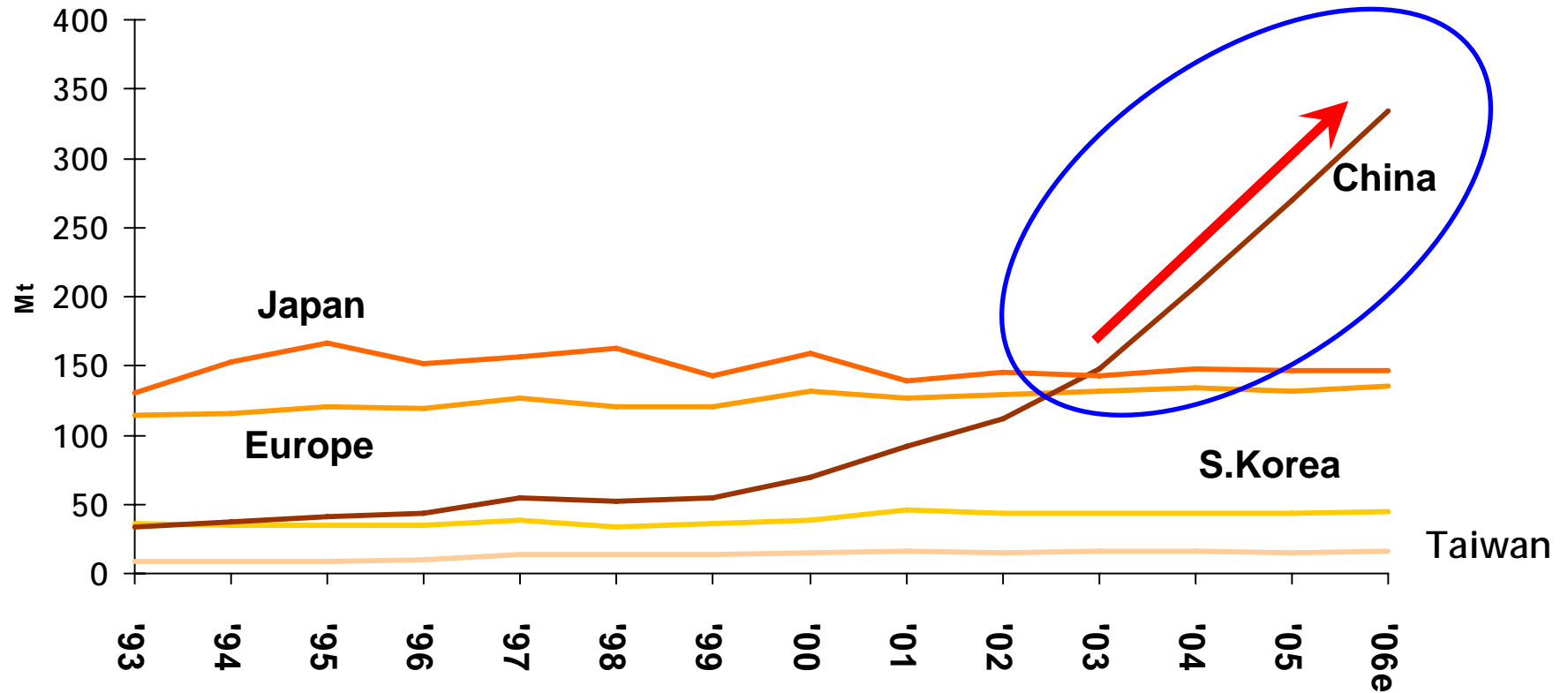
- 30% growth year on year



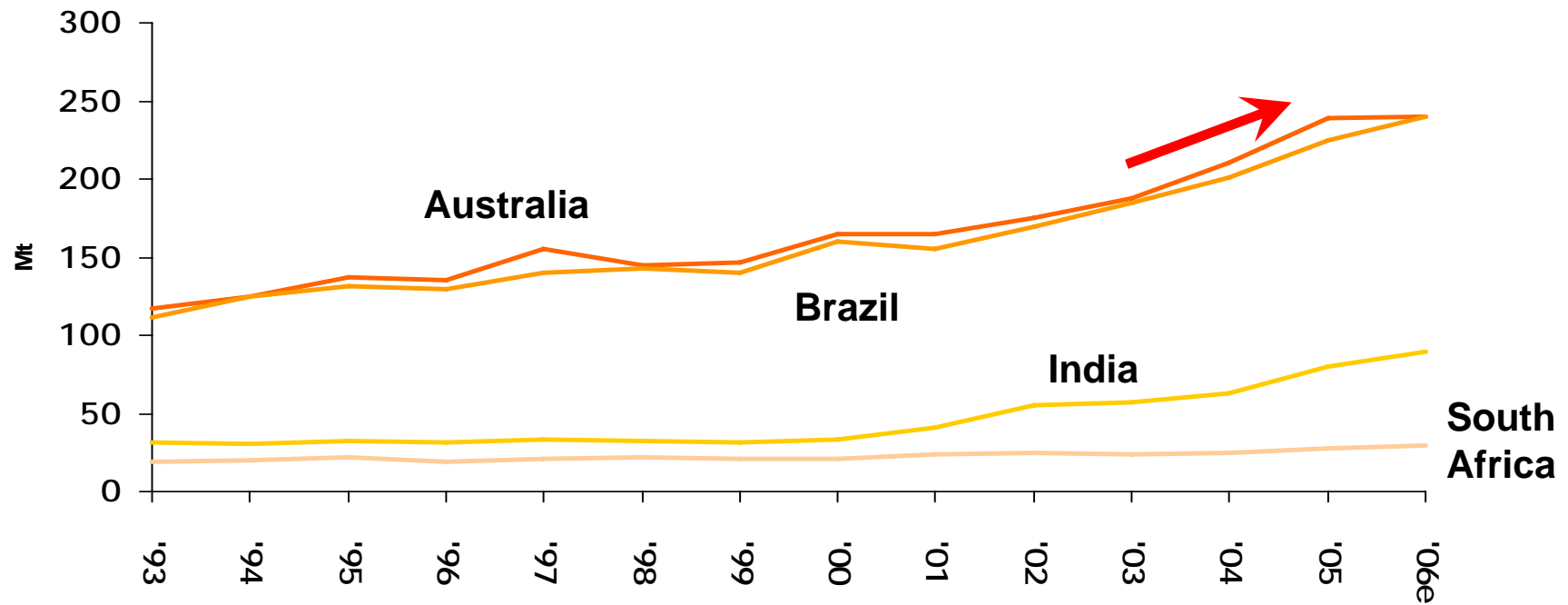
# Seaborne Trade



# Main import countries

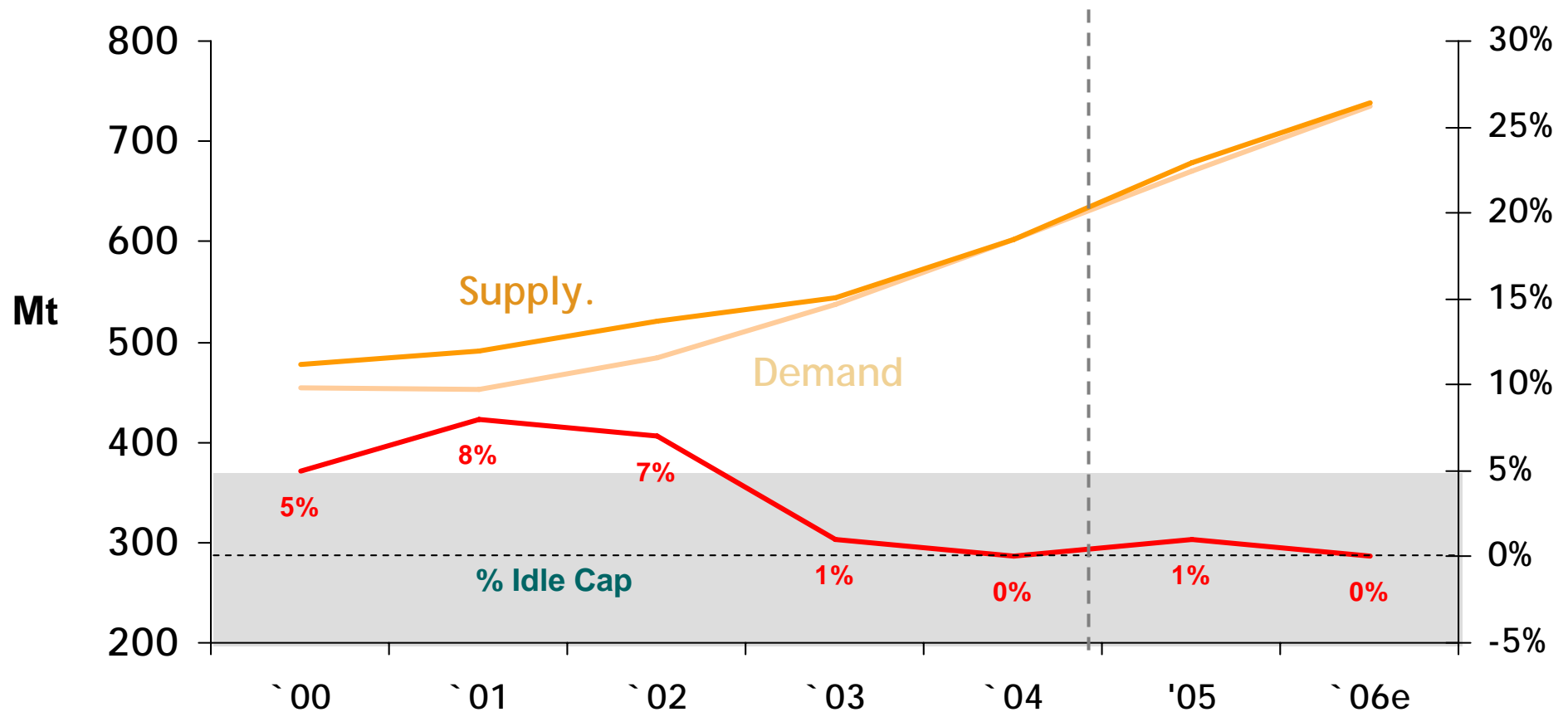


# Main Iron ore export countries



# Supply x Demand - Seaborne Trade

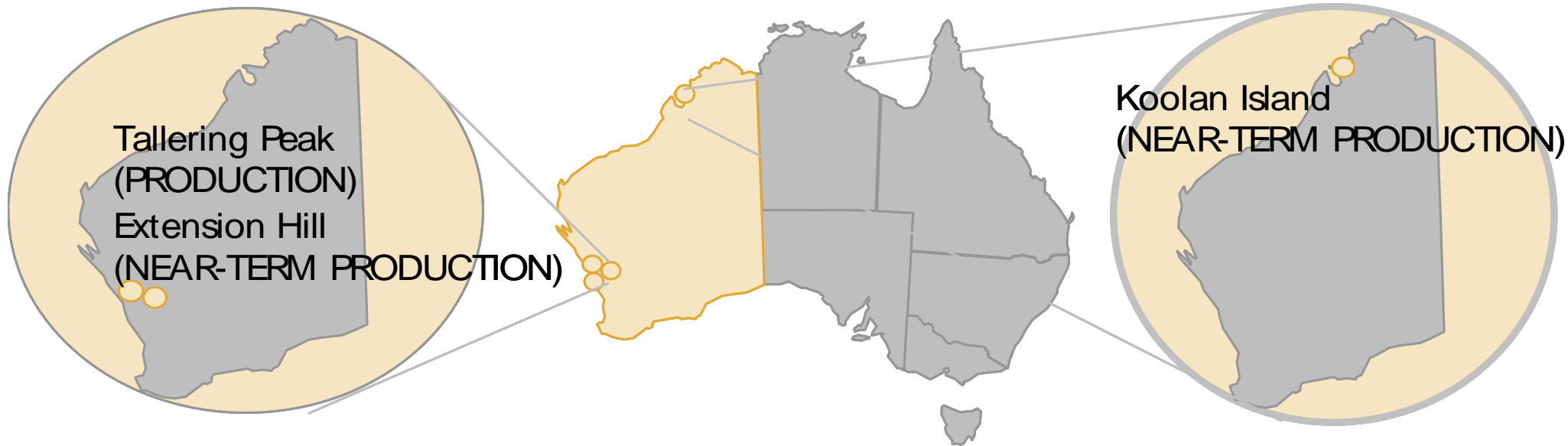
*The seaborne trade may not be enough to satisfy the demand*



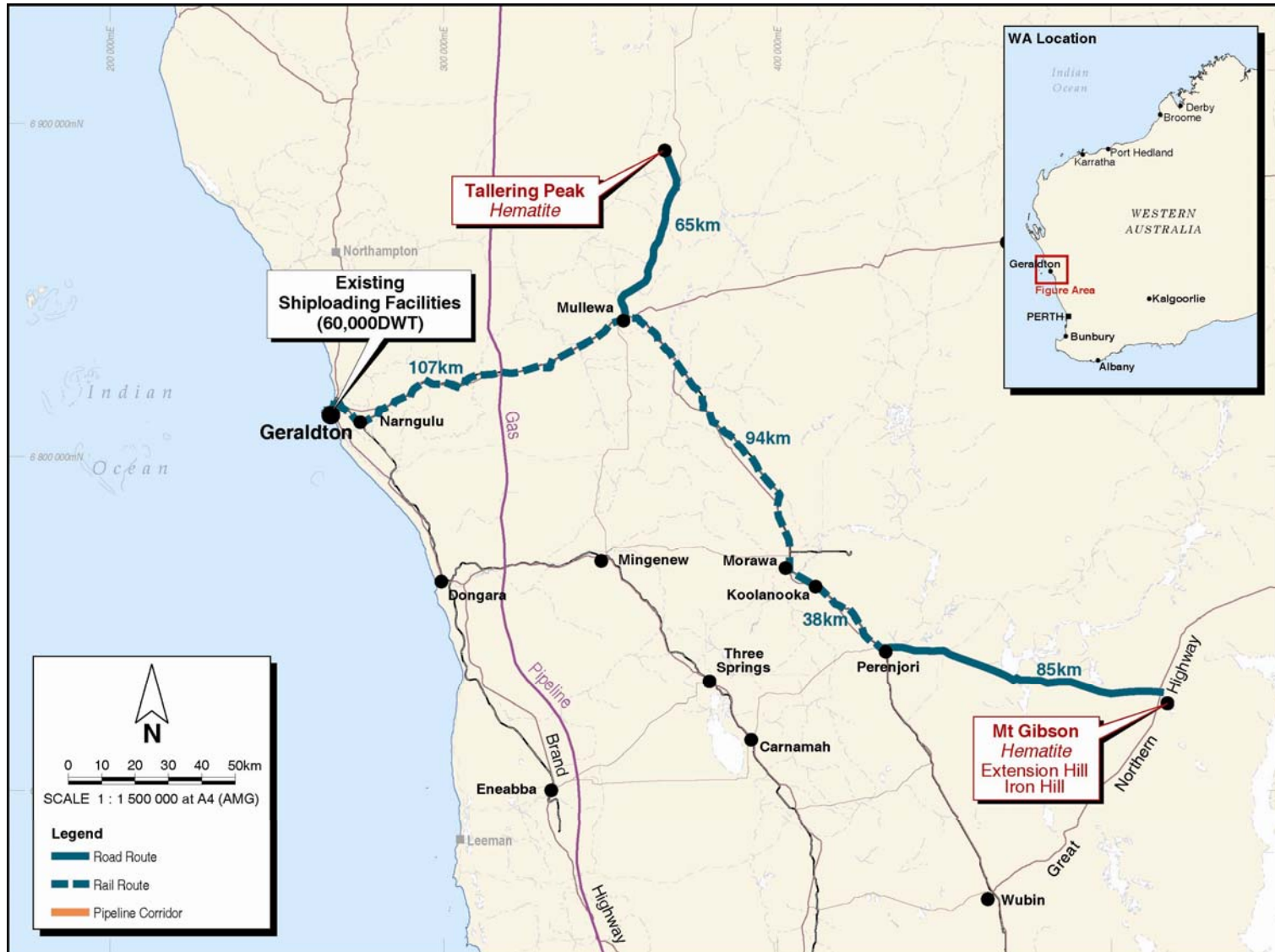
Source: IISI, TR

>95% demand over supply = shortage

# Where is Mount Gibson Iron and Aztec located



# Mid West sites





# Operations data

	Tallering Peak	Mt Gibson	Koolan Island (Aztec)
Reserve (Mt)	20.4	12.1	24.9
Resources (Mt)	23.2	19.5	53.3
Annual production (Mt)	3	3 (target)	4
Lump / Fines Ratio	65 / 35	50 / 50	30 / 70
Truck (km)	65	85	-
Rail (km)	107	239	-
Strip Ratio (wt:ot)	6:1	1:1	6:1 (est)
Port	Geraldton	Geraldton	Koolan Island

# Direct shipping grade hematite

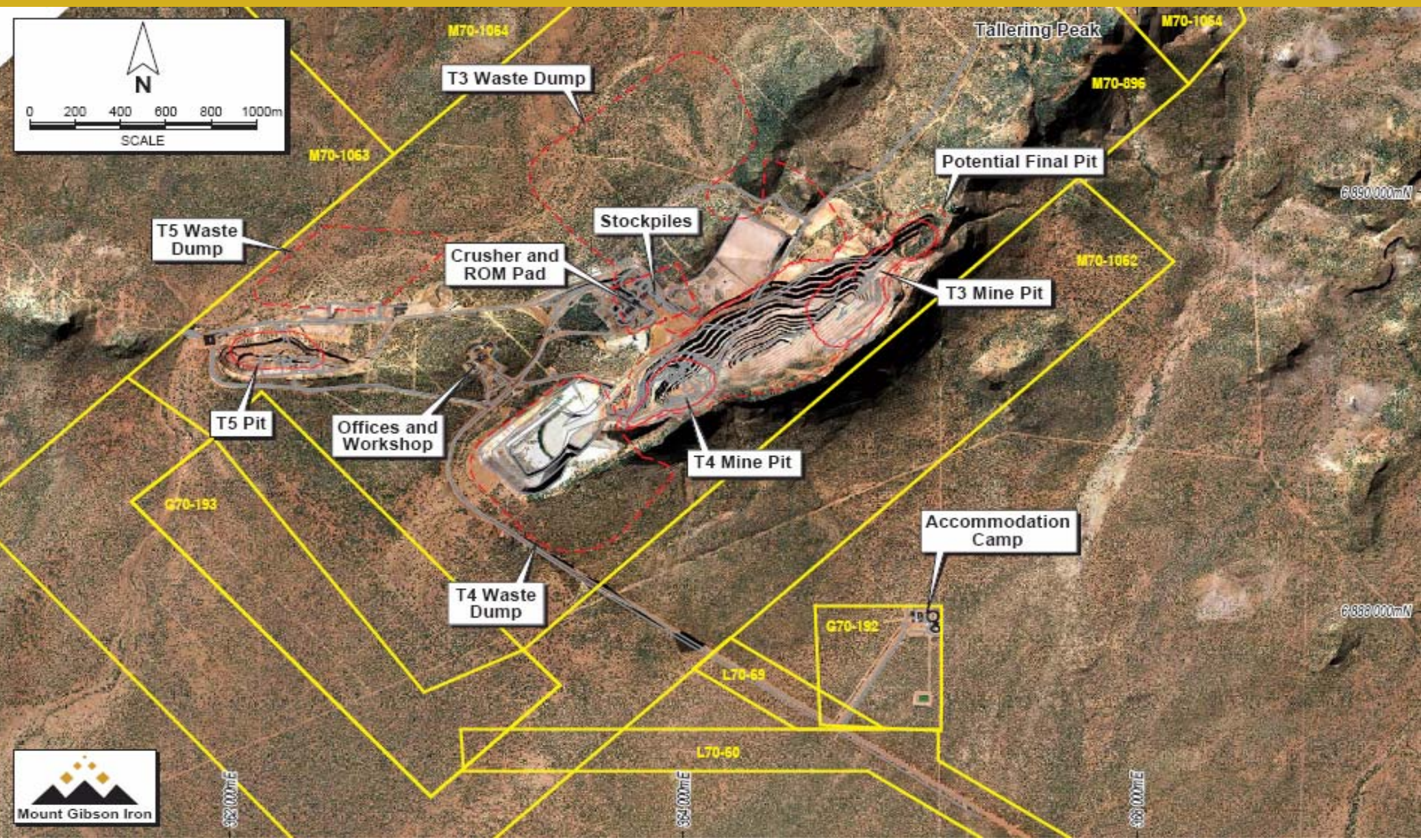
## Tallering Peak

- First hematite ore shipped Feb 2004
- Producing 3Mtpa
- 65% Lump & 35% Fines ratio
- Quality high grade low contaminant product (61.8% Fe, 4.51 SiO<sub>2</sub>, 2.15 Al<sub>2</sub>O<sub>3</sub> & 0.03 P)

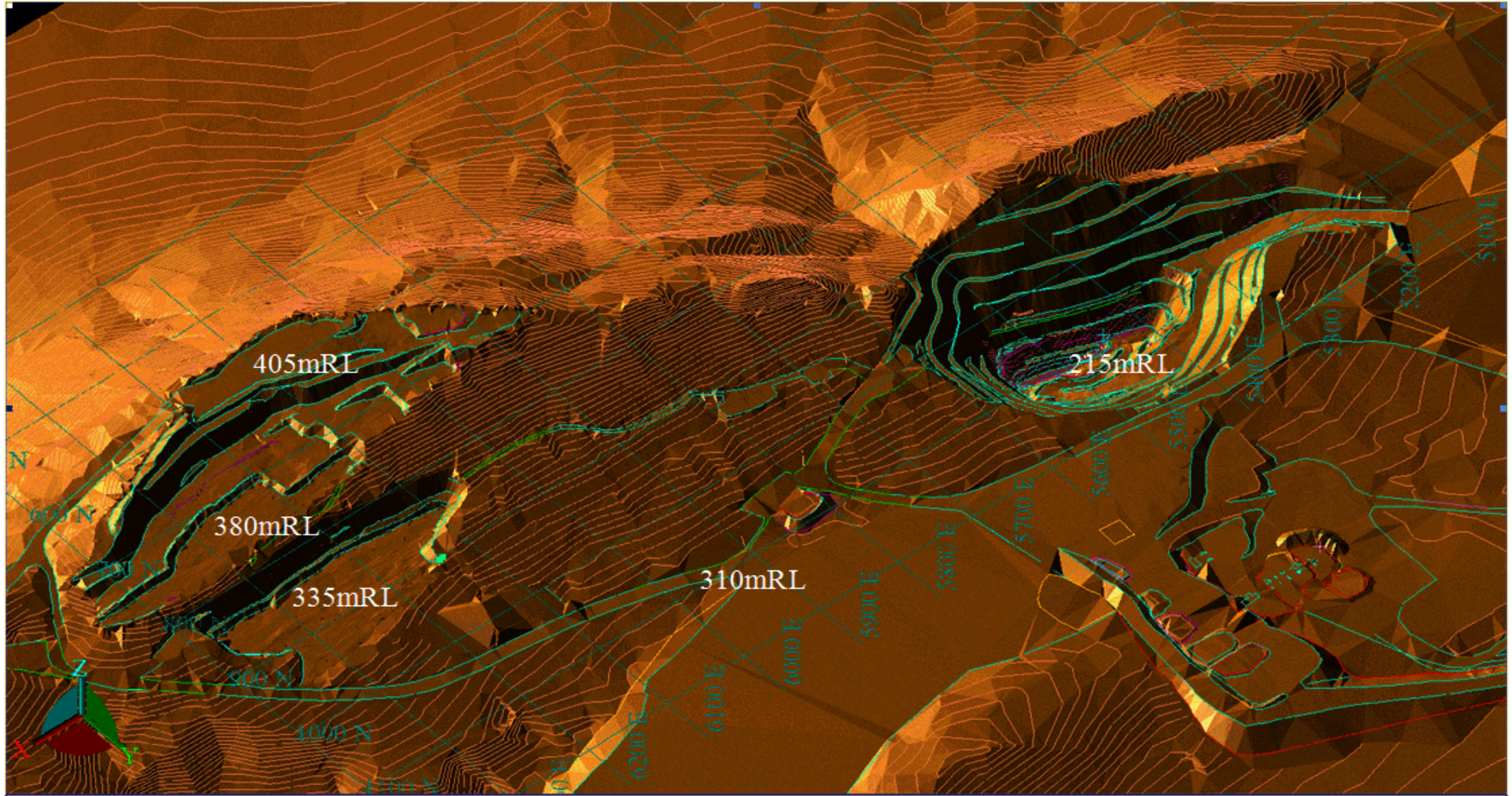
Tallering Peak T3b open pit September 2006 looking south-west



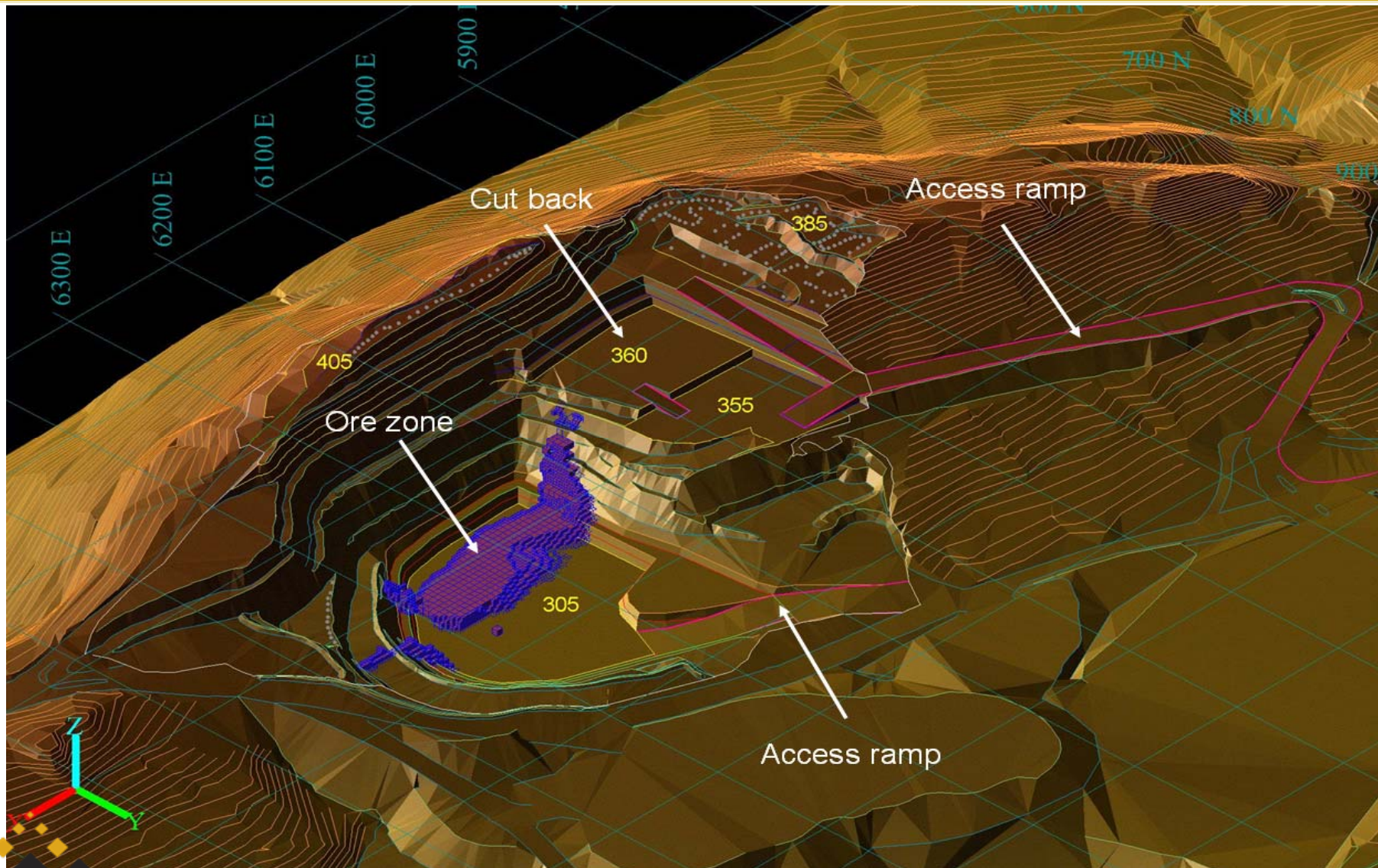
# Tallering Peak site layout



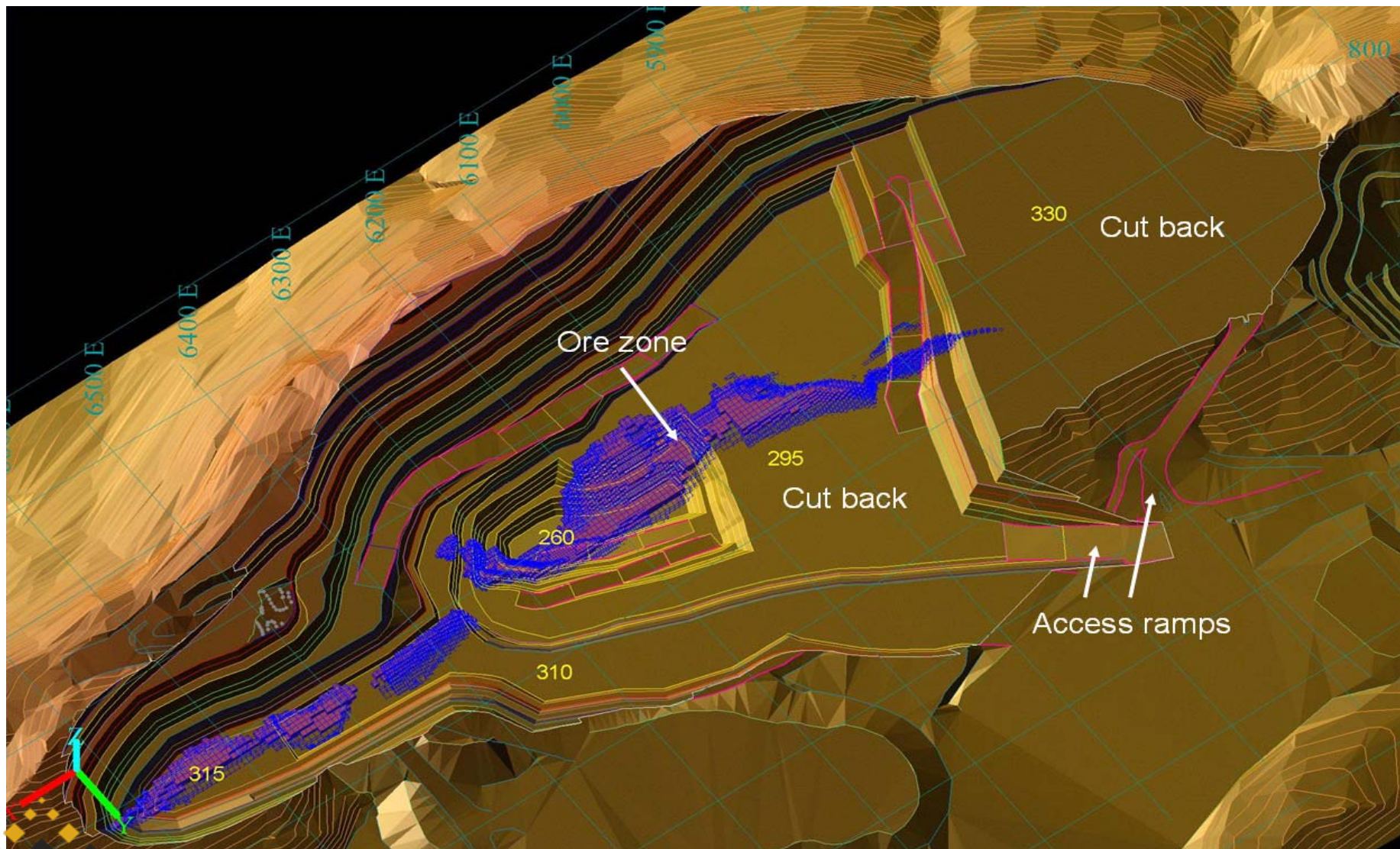
# Status of Tallering Peak mine development in December 2005 looking south



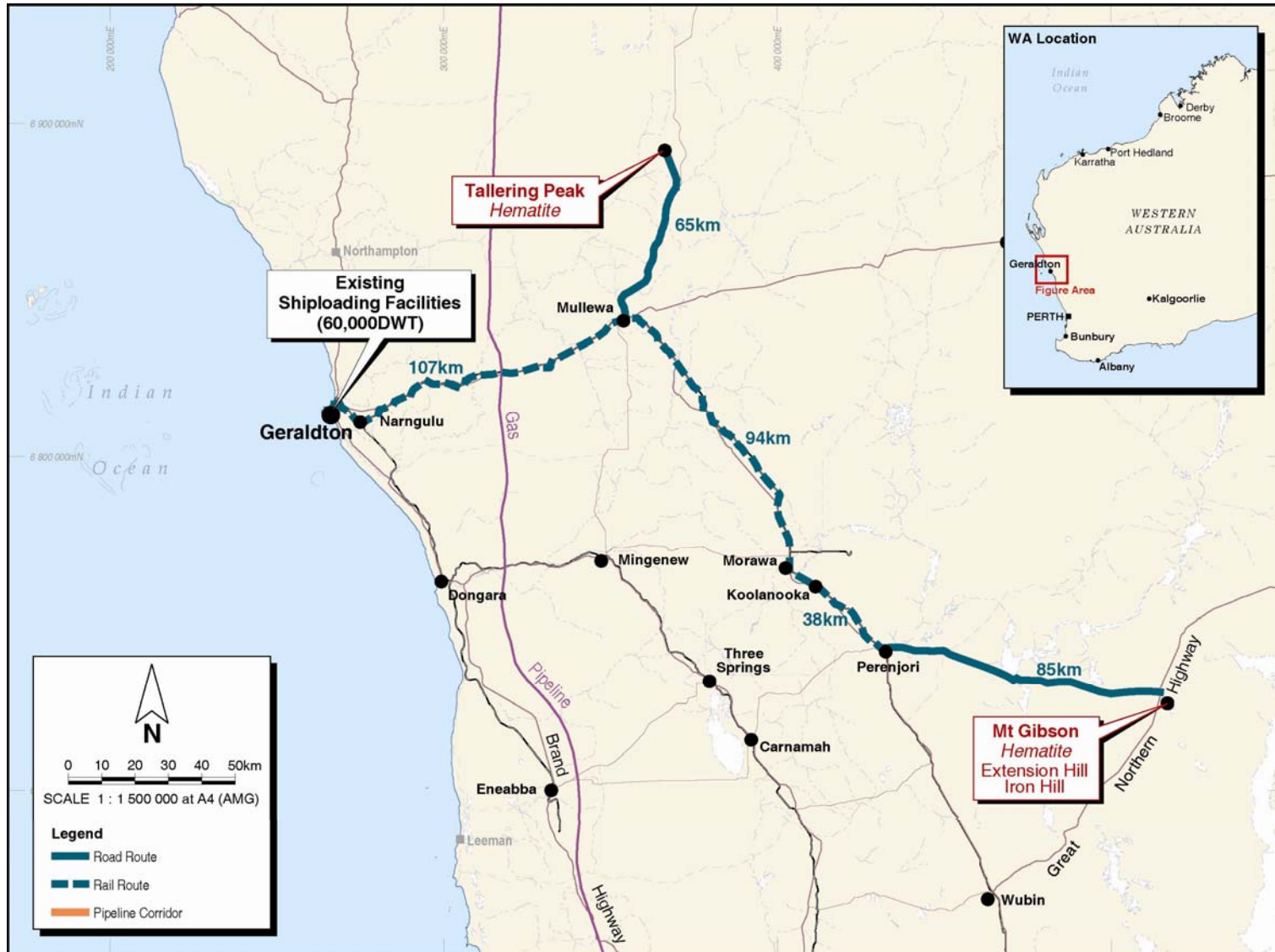
# Tallering Peak T3b open pit design and progress September 2006 looking south



# Tallering Peak open pit design and expected mining progress to September 2007



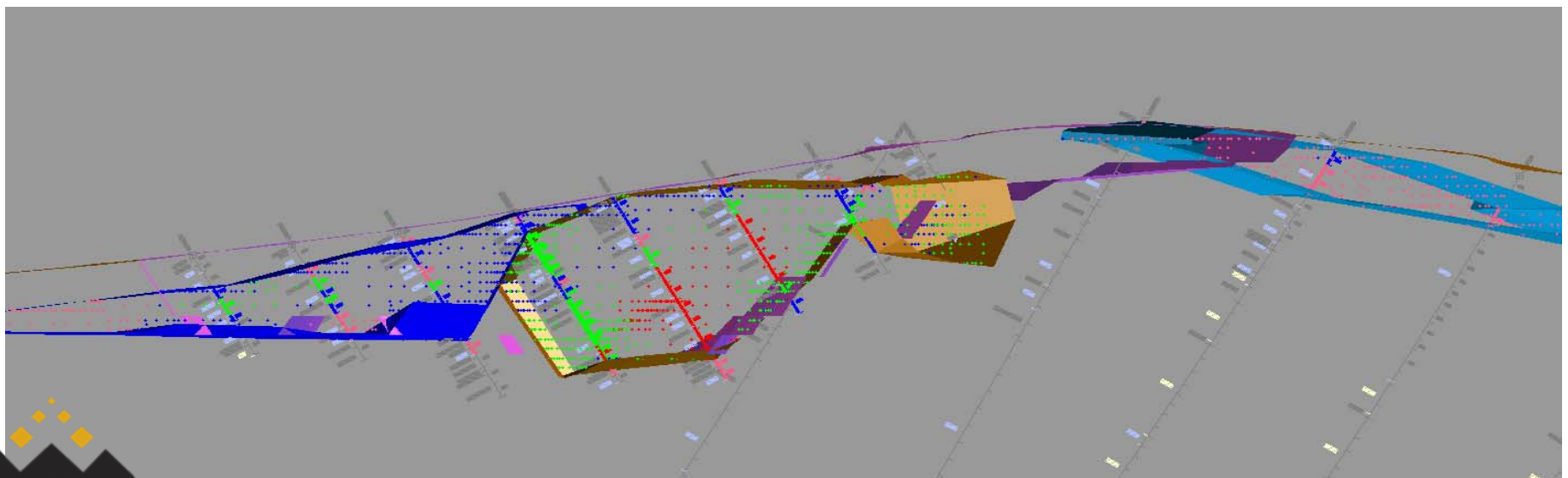
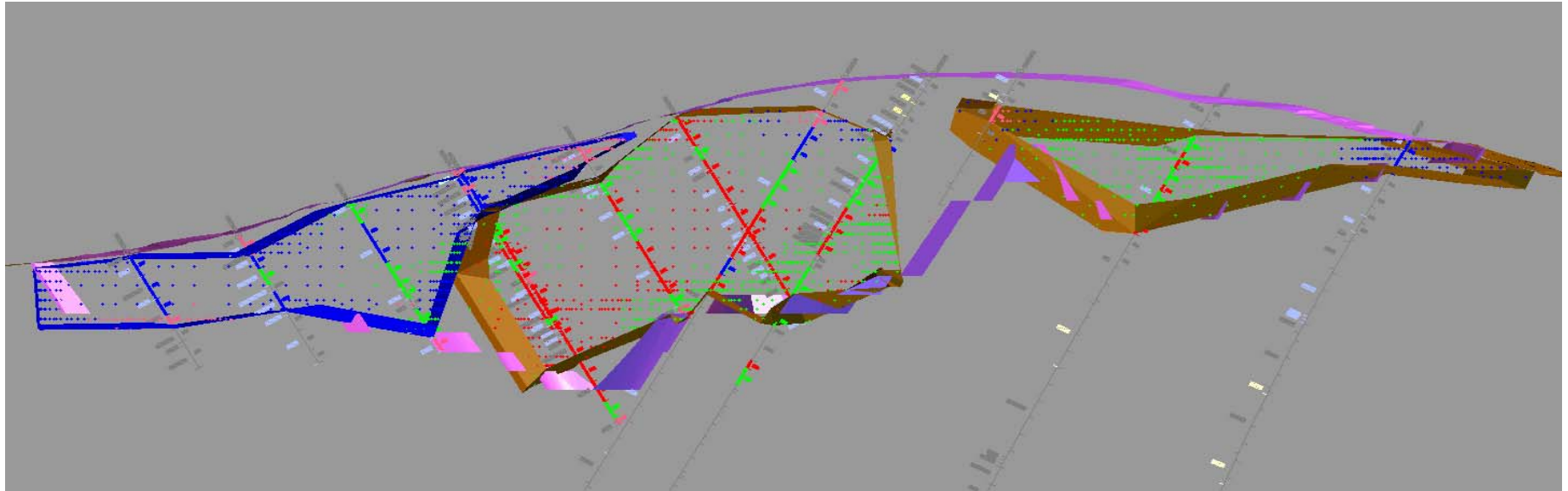
# Extension Hill hematite location



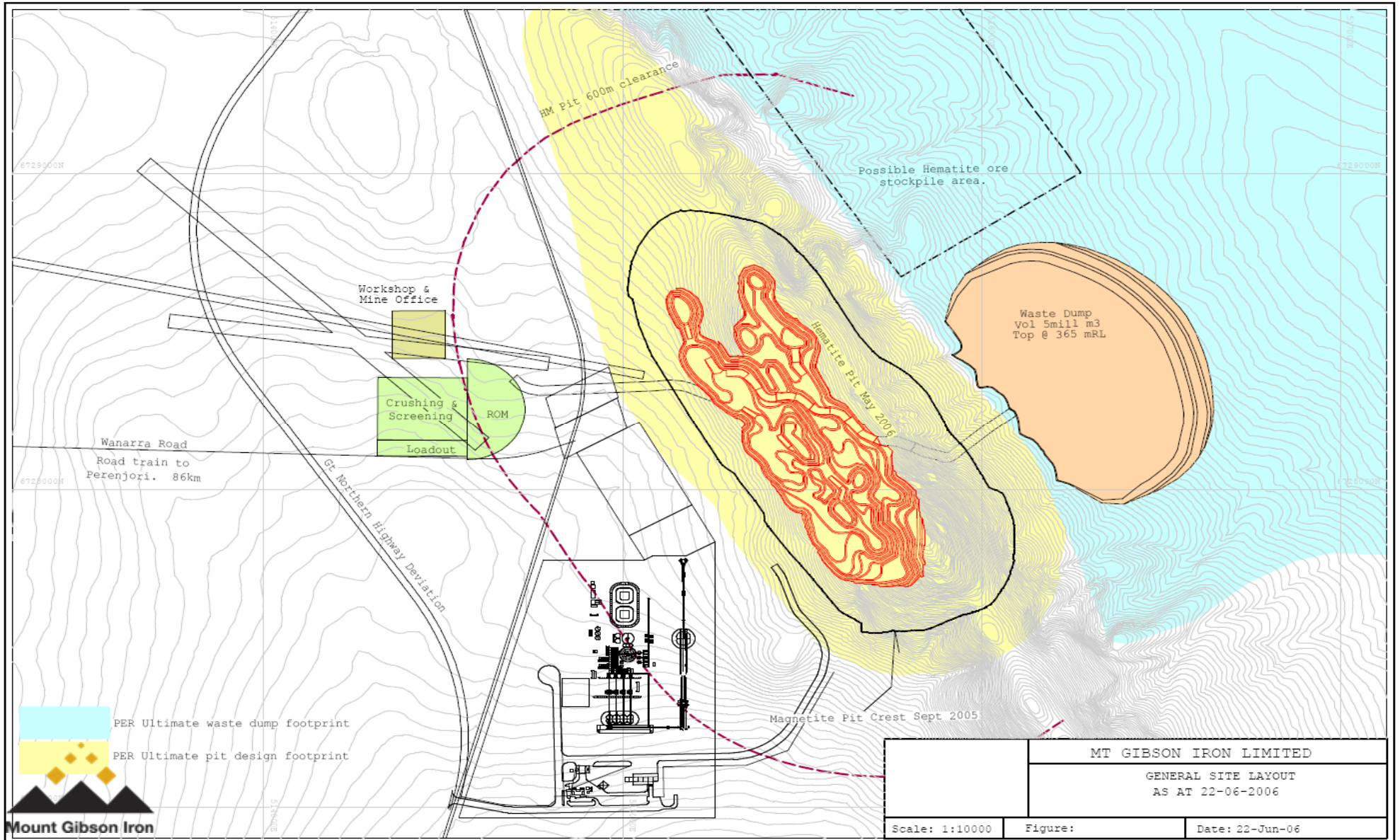
# Extension Hill hematite desktop study

- Available resource for mining will be increased
- Operationally robust and straightforward
- Low capital cost
- Up to 3Mt production rate
- Low strip ratio - 1:1 or better
- Lump / Fines ratio of approximately 50:50
- 60.7% Fe, 4.79 SiO<sub>2</sub>, 1.61 Al<sub>2</sub>O<sub>3</sub>, 0.06 P
- Immediate cash generator
- Utilise knowledge and approvals from Extension Hill Magnetite Project
- Targeting production early 2008 predicated on completion of feasibility study, approval (board and statutory) and the commissioning of facilities at the Geraldton Port i.e. GPA berth 5 ship loader and rail unloader

# Extension Hill - 2006 interpretation



# Extension Hill hematite mine layout



# Extension Hill hematite desktop results

- Capital expenditure \$67M
- Average LOM Cash cost \$34/t
- NPV \$106M
- IRR 115%
- EBITDA \$281M
- All estimates are based on the level of accuracy provided by desktop evaluation
- Feasibility study due for completion by year end

# Recent evolution—Mount Gibson's current profile

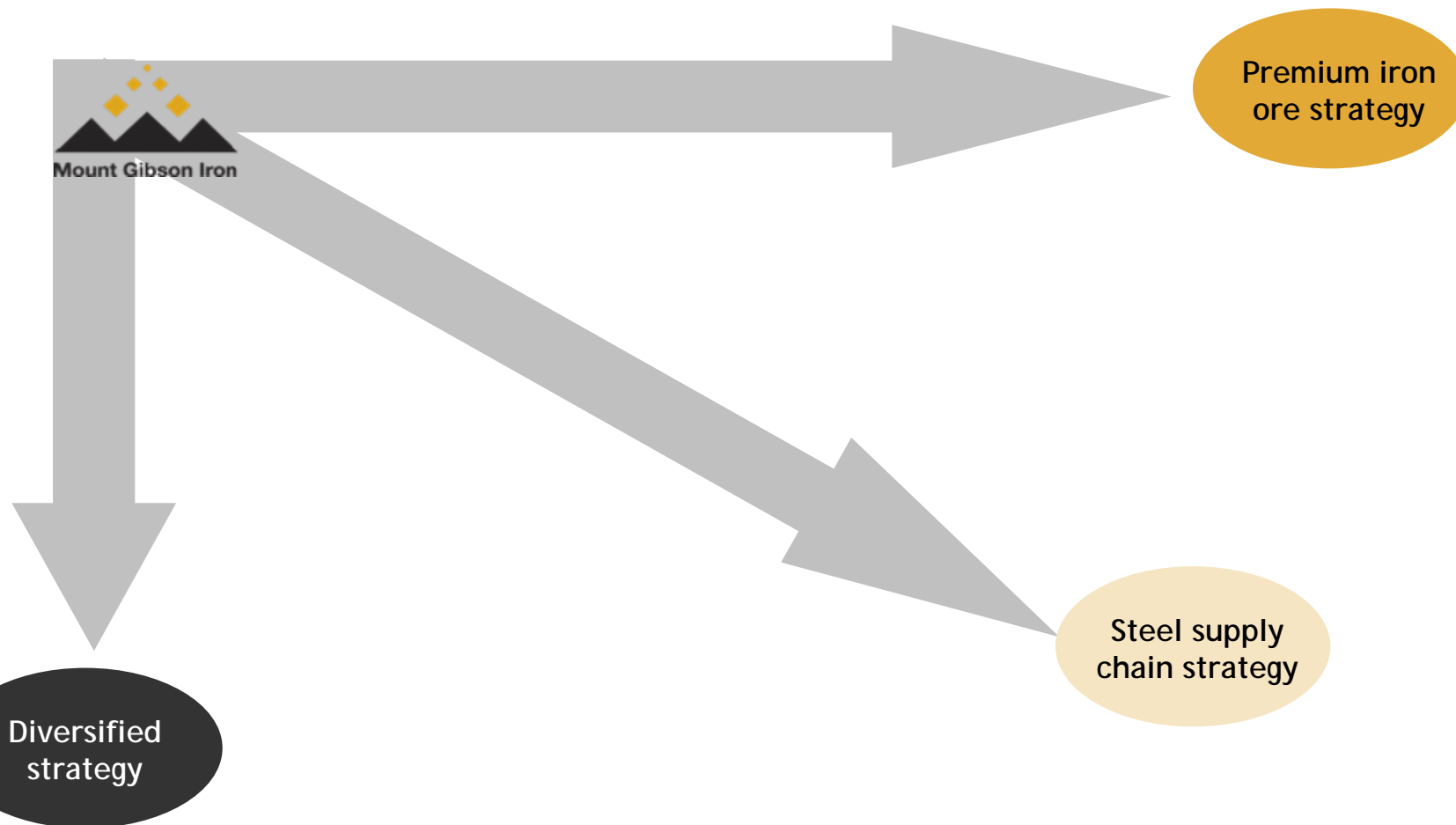
Key themes	Contention	Investor understanding
Excellent leverage to strong iron ore price	<ul style="list-style-type: none"> <li>Independent pure-play iron ore producer</li> <li>Iron ore is currently in a robust price environment and demand from China is expected to result in high prices to be maintained in the medium term</li> <li>Tallering Peak provides direct exposure through its currently producing mine (3 Mtpa)</li> <li>Aztec transaction to provide exposure to iron ore prices for longer</li> </ul>	✓ ✓ ✓
Premium direct ship iron ore strategy	<ul style="list-style-type: none"> <li>Mount Gibson pursues hematite strategy allowing it to focus on premium products. Benefits of this include low level of contaminants in iron ore making it a more attractive direct shipped product and low capex/operating requirements</li> <li>Higher proportion of lump ore production: can take advantage of lump ore premium pricing of ~28% (expected to be maintained until 2012)</li> </ul>	✓ ✓
Post-Aztec portfolio balanced between near term cash flow and growth	<ul style="list-style-type: none"> <li>Tallering Peak provides cash flow certainty by increasing production to 3Mtpa</li> <li>Extension Hill and Koolan Island provide growth potential with limited capex requirement</li> <li>Extension Hill: on completion of the feasibility study and approval, first production expected in early 08</li> <li>Koolan Island: first production expected in 2H06</li> </ul>	✓
Optionality	<ul style="list-style-type: none"> <li>Currently enjoys a strategic advantage with access to services and infrastructure. Member of Geraldton Iron Ore Alliance: effectively plan for the infrastructure needs of the region and reduce the cost and time required for implementation</li> <li>Lower capex requirements for development compared to peers</li> <li>Low gearing and improving financial flexibility to position the company to benefit from opportunities (e.g., M&amp;A, investment for growth if price environment persists)</li> </ul>	✓
Value	<ul style="list-style-type: none"> <li>Still value upside to be gained in NPV terms</li> <li>Potentially trading discount to peer group</li> </ul>	✗



...Mount Gibson's investment case will be solid but does the market get it yet?

# Determining the broader strategic direction

There are three strategies which Mount Gibson could potentially pursue from an acquisition perspective



# Summary

- Mount Gibson Iron
  - has retained and enhanced its first mover status
  - is growing production
  - enjoys long term access agreements to services and infrastructure
  - is focusing on accretive low risk assets
  - has excellent leverage to strong iron ore prices
  - has exposure to quality assets and products
  - portfolio is balanced between near term cash flow and growth
  - has significant optionality
  - has further value upside and is being recognised by large sophisticated investors
  - has a clear and deliverable growth strategy
  - will be a larger, longer life and lower cost pure play Australian iron ore producer

# Competent Person

The information in this report relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy and holds a Bachelor of Applied Science in Geology.

Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience which is relevant to the styles of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"*. Rolf Forster has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.