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Pages = 3

The Manager
Company Announcements
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

AGM Chairman's Address

The past year has seen your company transformed from one that was based on a single, small mine with a limited life, to a much larger company with a firm foundation for further growth.

In July 2005 Mount Gibson's market capitalisation based on a share price of 60c was around \$220M. Yesterday, based on a share price of 82c, it exceeded \$500M.

This transformation has been driven by strong management, increased production, financial strength, the purchase of critical elements of our Talling Peak operation, an exciting project pipeline and a sound strategy for the future.

The successful execution of that strategy will deliver a larger, lower cost and longer life business which will create even greater shareholder value.

We have been fortunate that the transformation at Mount Gibson has occurred at, and been assisted by, a period of unprecedented commodity price increases. These price increases are powered by continuing high demand for iron ore in China which in turn is driven by China's extraordinary industrial growth rate.

Demand for iron ore from China is expected to continue to support these strong prices in the short term, but eventually prices will start to fall when increases in iron ore supply from within China and from existing and new suppliers meet demand.

Part of our strategy is to maximise sales and therefore revenue during this period of higher prices.

While strong iron ore prices are naturally a great positive for the resources industry, they also mean we are at a point where costs associated with all inputs including consumables, labour and capital are challenging the industry's ability to maintain margins.

Inadequate and inefficient infrastructure within the MidWest Region also continues to adversely impact the industry's operating margins. Although Mount Gibson enjoys a strategic advantage provided by access to existing infrastructure in the MidWest, this infrastructure was established a century ago to service a seasonal agricultural region.

The recent significant growth in the MidWest resources industry has highlighted the inefficiency of the existing facilities to service all year round mining industry operations.

Rail, road and port services all fall well below the accepted standards required to support an expanding and competitive mining region. Underwriting future prosperity for the region will require leadership and intervention not only from the industry participants but also from all levels of Government.

Timely access to land is another critical issue that also affects the future prosperity of the MidWest region. Mount Gibson has to date enjoyed the full support of traditional landowners in the development of its projects and welcomes their continued support.

Unfortunately a lack of transparency towards environmental policy within the MidWest region, particularly related to banded iron formations which host iron ore creates investment uncertainty and has exposed your Company and others within the region to highly conditional approvals and untenable exploration, development and operational delays.

It should be noted that this issue in time will impact on iron ore exploration and development Statewide.

Despite these issues, Mount Gibson has successfully pursued its strategy of transforming the company from a small, higher cost producer to a larger, lower cost and longer life producer.

Mount Gibson's current growth is being achieved by reinvesting in the business.

Mining operations at Tallering Peak last year generated strong cash flows but these cash flows were unsustainable in the long term.

So the funds generated were reinvested into the mine which has allowed production rates to increase to 3Mtpa without your company having to raise further equity or enter into significant debt.

Bearing in mind the risks associated with the mining industry Mount Gibson intends to sustain these record production rates, which in a strong iron ore price environment will have a positive impact on operational cash flow and earnings over a longer period of time.

Mount Gibson's strategy of focusing on Direct Shipping grade Hematite production mitigates to a certain extent the industry's exposure to large, capitally intensive projects. As has been demonstrated repeatedly in the industry, these projects cost substantially more to deliver than estimated and are rarely delivered on time.

Recently Mount Gibson secured \$52.5 million in cash from the divestment of it's 73 per cent stake in Asia Iron Holdings to Sinom Investment. \$40 million of that amount was paid directly into Mount Gibson's account whilst the remaining \$12.5 million will be received no later than 31 May 2007. The proceeds from this sale are earmarked to help fund development of the hematite mining and direct shipping operation at Extension Hill.

Following a comprehensive desktop study we believe the Extension Hill Hematite Project can provide a strong contribution to Mount Gibson's financial results. The project generates early cash flow, has limited technical risk and requires comparatively low levels of capital funding. The feasibility study is expected to be complete by the end of next month and a proposal to proceed will be considered by the Board in early 2007.

Preliminary mining engineering at Extension Hill and further exploration at Tallering Peak has been rewarded with a 75% increase in the Company's mining reserves which now total 32.5 Mt.

Safety is of paramount importance to all at Mount Gibson. At Tallering Peak, the management team has been working diligently to reduce risks faced by our employees by a process of continuous identification of operational hazards and the introduction of appropriate controls.

I am extremely pleased to say that those efforts have paid off with the Lost Time Injury Frequency Rate and Disabling Injury Frequency Rate improving more than 90 per cent since November last year. This is now in line with the mining industry average. We will continue our efforts with the aim of improving this position.

Our licence to operate from the Government is also conditional on the environmental performance of our operations. Mount Gibson continues to make significant improvements in the management of local fauna and flora, rehabilitation of disturbed areas, waste management and disposal, impact monitoring and emission controls.

Mount Gibson's overall performance and growth strategy is transforming it into a larger, lower cost and long life company which has enhanced our reputation and "first mover" status within our peer group.

Luke will shortly update you on the progress of the company including Mount Gibson's Offer to Aztec shareholders which just this week was recommended by the Aztec Board.

The Board is of the opinion that the acquisition of Aztec will benefit all shareholders of the combined group.

Together, Mount Gibson and Aztec will create Australia's leading independent pure-play iron ore producer offering scale, financial strength, growth opportunities and risk diversification. Shareholders of the combined group will benefit from a balanced and more diverse asset base with the Koolan Island Project joining Tallering Peak and our Extension Hill Hematite development.

The merger of the two companies will see Mount Gibson enter the ASX 200. Becoming one of Australia's top 200 largest listed companies will put us firmly on the radar for the nation's institutional investors and is expected to lead to a significant re-rating of the stock.

This view is not just the view of the Board and management team. Mount Gibson is already experiencing a market re-rating which has been evident in above market purchase prices of large stakes in your company.

Recently the Russian resources giant, Metalloinvest joined the Mount Gibson's share register and already this international mining giant has publicly endorsed your company's overall strategic direction.

As with all our shareholders, we welcome Metalloinvest onto our register. They will prove to be a valuable cornerstone shareholder as we continue to pursue our growth strategy and lead the push for consolidation across the industry.

I would like to take this opportunity to thank Luke and his team for all their hard work throughout the course of this incredibly eventful and at times complex year.

As many of you may be aware Luke has been managing director of Mount Gibson Limited for a little over a year, but he has impressed this Board greatly with the way he has steered Mount Gibson through this acquisition process while at the same time significantly improving the company at operational, financial and risk levels.

This has been a very brief summary of what has been a landmark year for the Company. Thanks to the efforts of our senior management team and our employees, Mount Gibson is now well placed to benefit from the continuing prosperity of the world iron ore business.

We have a strong operational platform which we are continuing to invest in. We have a sound, project pipeline which will lead to fresh revenue streams and we have a clear strategy of expanding our operations through sensible and earnings enhancing acquisitions like Aztec Resources.,