

AGM Presentation

18 November 2008



Mount Gibson Iron

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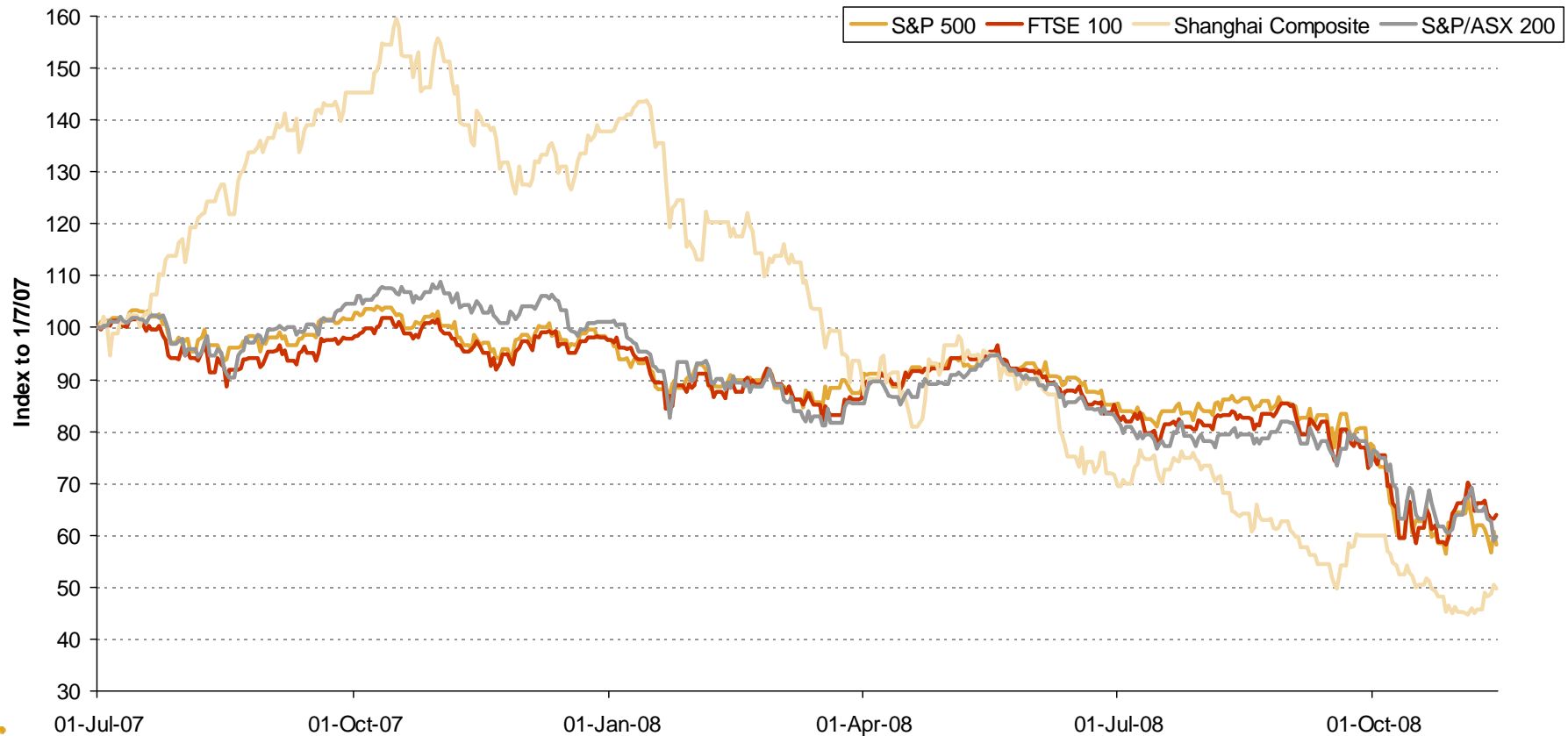
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2	Implications for MGI
3	Proposals for Shareholders
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Capital markets

The downturn has affected global equities significantly – particularly in China

Major equity market indices 2007 – 2008

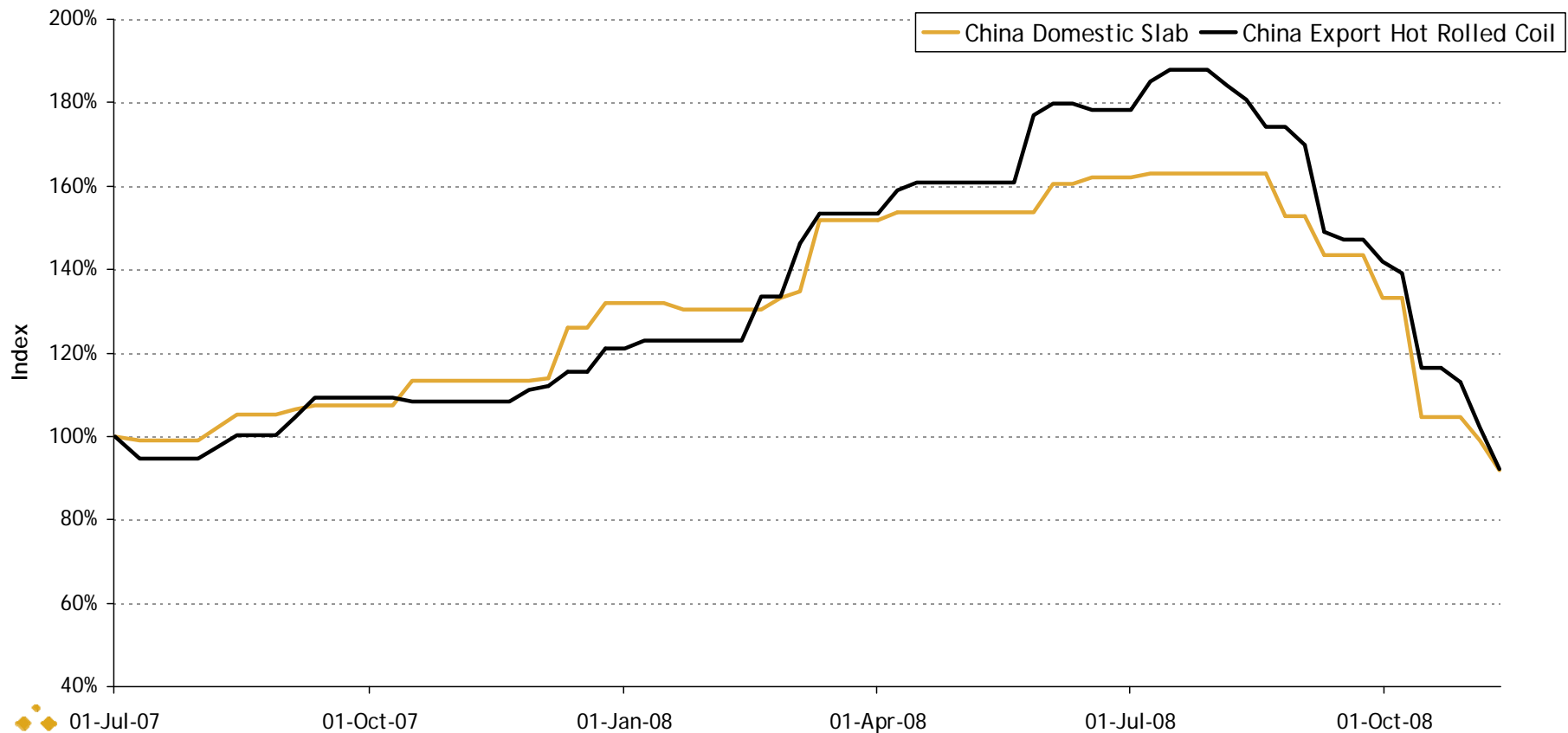


Source: Bloomberg (17/11/08)

Steel prices

While initially robust over the same period, steel prices have rapidly declined ~45-50% since July 2008

Steel prices 2007 – 2008

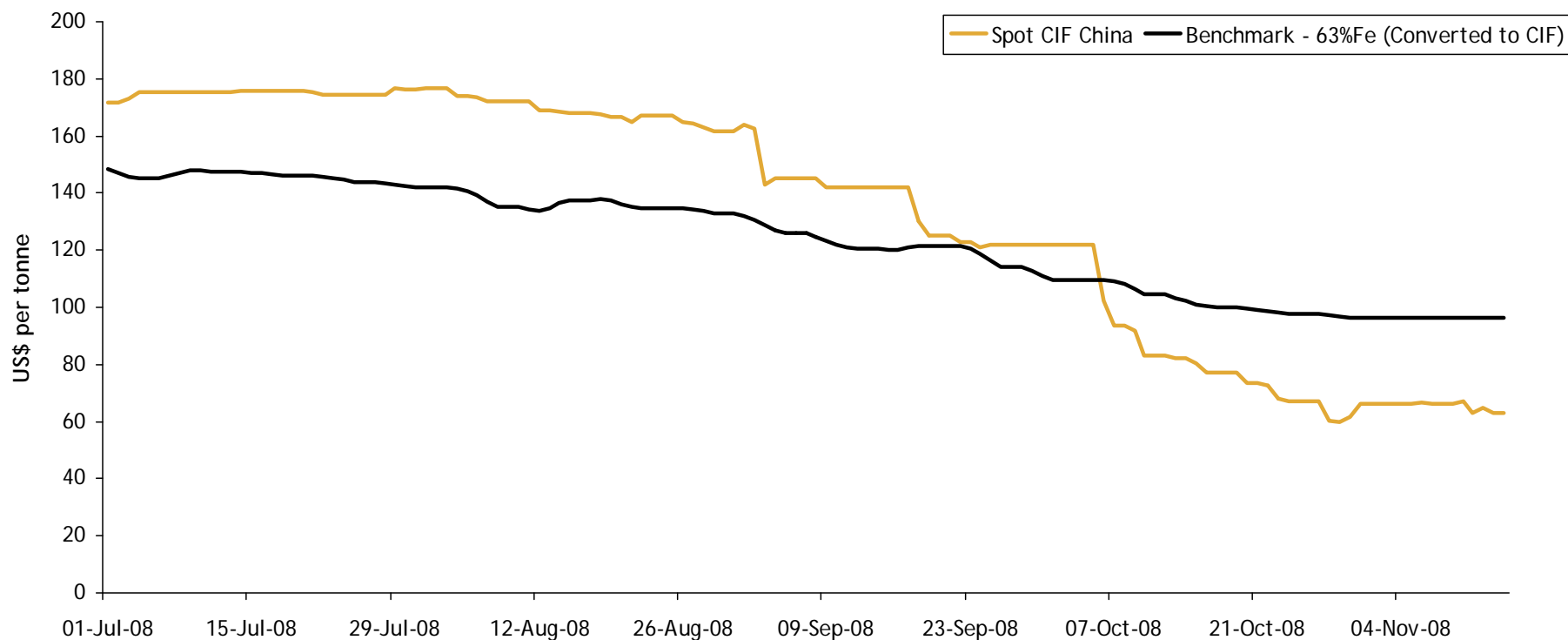


Source: Bloomberg (17/11/08)

Iron ore Fines prices CIF China

Chinese delivered Iron Ore prices have been affected; the spot price is now below benchmark (CIF) prices

Iron ore Fines price – CIF China Jul – Nov 2008



Source: Bloomberg (17/11/08)

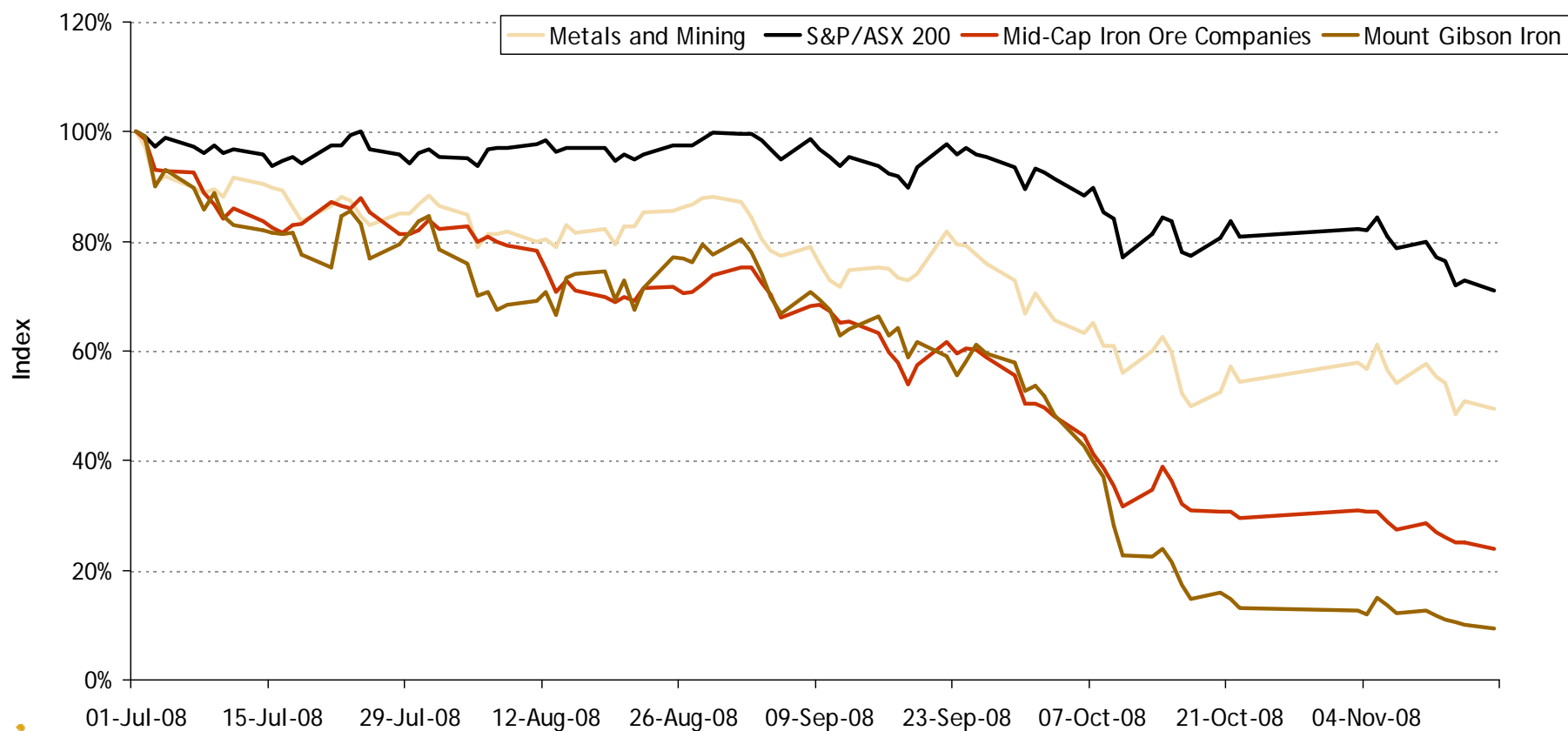
Note: Benchmark converted to CIF with the addition of implied shipping rates. Implied shipping rates calculated using current freight rate from Metal Bulletin adjusted using the Baltic Dry Shipping Index



Impact on share prices

Mid cap iron ore producer/developer share prices have decreased ~75% since 1 July 2008

Indices of Australian mining companies – majors vs. midcaps Jul – Nov 2008



Source: Bloomberg (17/11/08); Mid Cap Iron Ore companies – FMG, AGO, GBG, GRR, MMX, TTY, SPH, ARH, CFE, GWR



Supply side reaction

The larger producers are not immune

Company	Date	Commentary
	10 Nov 08	“As a result of the reduced demand from customers and reduced shipments, the annualised run rate of iron ore production from the Pilbara mines will be reduced by approximately 10%.”
	10 Nov 08	“We are taking the opportunity to bring forward a planned (10 day) shut down of the port and mine processing plant... the impact of the shut will be for lower tonnages in calendar year 2008.”
	31 Oct 08	“Vale has decided to reduce its iron ore production by a volume equivalent to 30Mtpa. This will be enforced through the shutdown of some mines, in the Southern and Southeastern Systems, in the state of Minas Gerais, Brazil, from Saturday, Nov 1, 2008, onwards.”
	15 Nov 08	“We are hearing from customers, big customers, in China with very, very high stocks, and we are hearing some customers are having difficulty opening letters of credit... our estimate is that for this calendar year we may have deferrals for up to five percent of our full year budget” (Comments by Mr Calderon to The Australian Newspaper)

Long term outlook

Few question longer term growth in steel, however material price pressure likely to continue for near term

- The Chinese economy has proven not to be immune from the Global credit crisis and expectations of widespread recession
- China's own economy has been affected by decreased exports, tighter credit (somewhat centrally mandated), material slow down in residential & industrial construction, energy shortage and loss of confidence having "over paid" for assets around the world
- However...
 - Credit is now being relaxed
 - A substantial stimulus package has now been introduced in the last two weeks... focused on both tax stimulus and infrastructure spending
 - Growth rate 8-9% now forecast by a range of analysts (on a ~US\$4 Trillion economy)
- The key questions...
 - Impact on April 09 iron ore prices?
 - How long will the "hiatus" last (i.e. steel & iron ore de-stocking)

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Impact on Mount Gibson

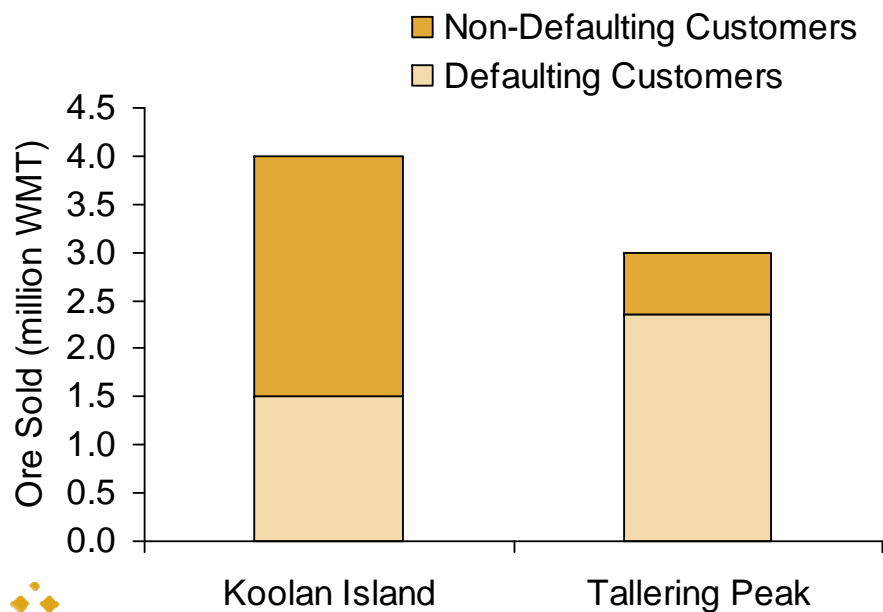
- Production and sales were on schedule for first quarter of FY08/09
- A substantial majority of outstanding debtors at the end of June 2008 was collected by September 2008 whilst only approximately 5% is in dispute
- In second quarter, significant requests for shipment deferrals arose – hence MGI's announcement of 9 October 2008
- Rapid deterioration of iron ore market in October led to default by three customers and satisfactory accommodation with a further two customers
- A material shipping shortfall in October resulted
- This led to an urgent requirement to resolve offtake and slow expenditure while additional funding is put in place
- Events will have a material impact on MGI's profitability in the FY08/09
- MGI will seek to recover resulting losses from defaulting customers, however this will take some time
- MGI has always complied with the terms and conditions of iron ore sales agreements and remains willing and able to continue to comply

Defaulting customers

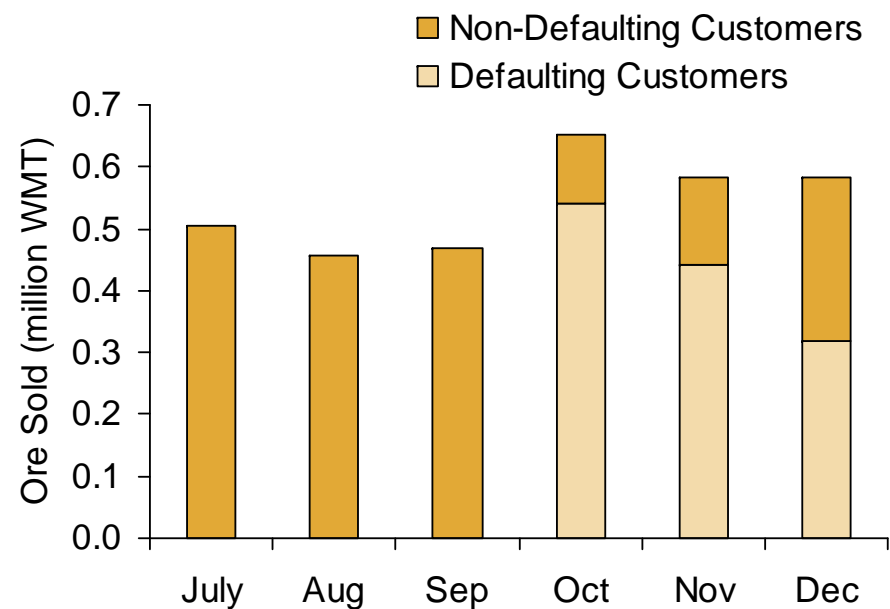
Defaulting customers have put the Company under significant pressure

- As announced on 3 November 2008, three customers defaulted on legally binding offtake agreements
- Acceptable accommodation was reached with two others

FY08/09 Planned Production



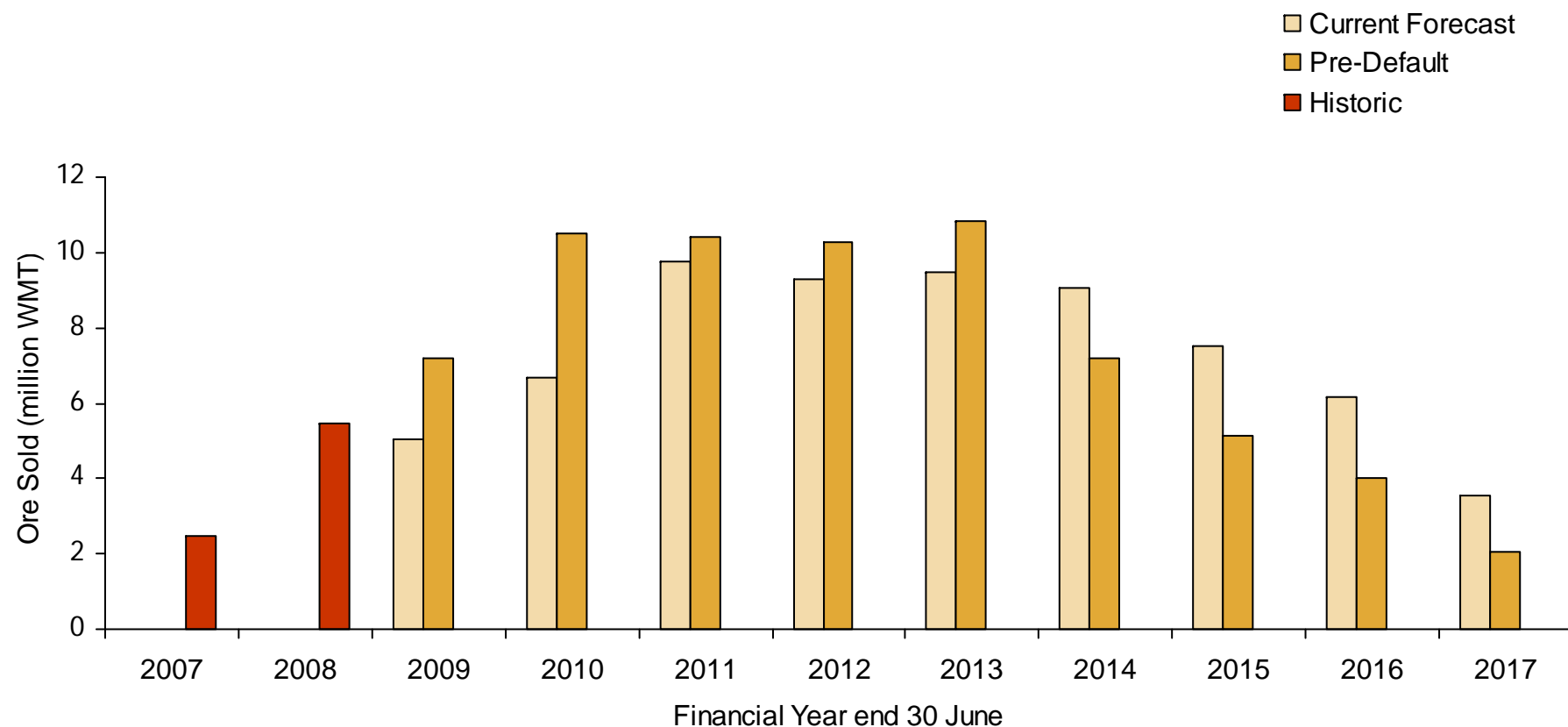
Planned Ore Shipment 2008¹



1: Expected shipping schedule prior to the defaults

Historic production growth and current forecast

Production in 2009 and 2010 has been significantly impacted by the defaults



Foreign exchange hedge book

- Consistent with company policies and minimum bank mandated hedging requirements, MGI entered foreign exchange forward contracts to cover approx 40% budgeted USD for FY08/09 and FY09/10:
 - Hedge was prudent. Normal practice that the banks mandate a minimum level which MGI was in compliance with
 - Was not speculation driven - required by banks and company policy and would not pose a problem had customers complied with their bidding offtake obligations
- As at 1 November 2008, Mount Gibson has outstanding forward contracts for:
 - US\$375 million at average 0.8824 per US\$ due to expire in FY08/09; and
 - US\$185 million at average 0.8109 per US\$ due to expire in FY09/10.
- MGI has requested lenders to consider rolling forward excess foreign exchange forward contracts once:
 - New offtake arrangements in place; and
 - Rights Issue and Placement have been completed.
- If agreed, this will prevent MGI from having to cash settle any forward contracts not needed to cover monthly USD income¹



¹: Although Mount Gibson anticipates the ongoing support of its lenders there is no commitment at this stage from them to roll existing foreign exchange hedges forward, however the proceeds from the Rights Issue and Placement will adequately cover any cash required

Steps taken by Mount Gibson

- Koolan Island
 - Main pit and Sea Wall development activities deferred until July 09
 - Contractors and hire equipment demobilised (MGI equipment retained)
 - Increased specification through high grading (lower Si) with reduced production capacity
- Talling Peak
 - T6B2 Cut Back deferred to July 09
- Extension Hill
 - Development activities deferred
 - All key contracts retained – rail refurbishment deferred with agreement of rail contractor
 - Production commencement deferred to March quarter 2010
- Geraldton Port
 - Construction of storage shed ongoing – schedule extended

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Transaction Summary

The proposed transaction is comprised of offtake agreements, a rights issue and a placement

1. Proposed entry into Offtake agreements with APAC and Shougang Concord – subject to shareholder approval
 - Medium Term Offtake – January to June 2009
 - Long Term Offtake – July 2009+ for life of mine
2. 1 for 5 renounceable Rights Issue to raise A\$96.5 million (before issue expenses), underwritten by APAC and Shougang Concord (160.9 million shares to be issued)
3. Placement of 110 million ordinary shares to Shougang Concord to raise A\$66 million (before issue expenses)

Post the transaction APAC and Shougang Concord will have a strong vested interest in MGI succeeding

Shougang Concord

- Shougang Concord International Enterprises Co. Ltd (“Shougang Concord”) is a Hong Kong listed company (HKEx: 0697) with current market capitalisation of ~ HK\$6 Bn
- 6 month revenue to 30 June 2008 was HK\$8.2 Bn
- Areas of operations are:
 - Steel manufacturing;
 - Trading of steel products;
 - Shipping operations; and
 - Mineral exploration.
- Shougang Corporation (state owned; 4th largest steel producer in China) is the majority shareholder via a 100% owned Hong Kong subsidiary
- Other major shareholder is Carlo Tassara SpA, a private Italian company operating in the heavy industry, steel industry, ironworks, metallurgy, and electricity sectors



APAC Resources

- APAC Resources Ltd (“APAC”) is a Hong Kong listed company (HKEx: 1104) with a current market capitalisation of ~ HK\$1.3 Bn
- 6 month revenue to 30 June 2008 was HK\$402m
- Invests in resources assets, either through corporate investments or direct project interests
- Acts as investment or trading intermediary between iron ore producers and steel mills in China
- Shougang Holding HK, 100% owned Hong Kong subsidiary of Shougang Corporation, is a major shareholder in APAC and is also a major shareholder of Shougang Concord



Source: Bloomberg (17/11/08)

Offtake overview

- Short term Offtake:
 - November & December 2008 APAC (50%) and Shougang Concord (50%) purchase available production up to limit without shareholder approval (current estimate 325kt)
 - Priced at FOB US\$40 per wet metric tonne for fines & lump
 - No shareholder approval required
- Medium term Offtake
 - January 2009 to June 2009 Shougang Concord purchases available production
 - Priced at FOB US\$56 per wet metric tonne for fines & lump
 - Subject to shareholder approval
- Long term Offtake
 - APAC (20%) and Shougang Concord (80%) purchase all available production from July 2009 for life of mine
 - Price based on a 10% discount to Hamersley Benchmark FOB prices¹
 - Subject to shareholder approval

1: Announcement on the 3/11/08 referred to the price based on the respective lump and fines Hamersley Benchmark Iron Ore Prices subject to industry standard specification penalties less either (a) a fixed 10% discount; or (b) a 5% discount plus a price adjustment to reflect actual market sea freight differential.

Specification and logistics

MGI ore presently has a lower spec and higher shipping costs than “Benchmark” ores

- Koolan Island & Talling Peak short term production lower specification than Hamersley Benchmark
 - Lower iron content
 - Higher silica content
- Higher shipping costs than Hamersley Benchmark
 - Geraldton PEC charge
 - Panamax from Geraldton and Koolan Island rather than Cape
 - Estimated current cost differential vs Dampier to China:
 - Koolan Island US\$3/t higher
 - Geraldton US\$5/t higher

	Fe (%)	SiO ₂ (%)	P (%)	Al ₂ O ₃ (%)
Lump				
Koolan – November to December 2008	62.7	7.9	0.02	1.50
Talling Peak – November to December 2008	62.0	5.2	0.01	2.19
Current Hamersley Benchmark	63.5	3.20	0.06	2.00
Fines				
Koolan – November to December 2008	60.6	8.8	0.02	2.85
Talling Peak – November to December 2008	60.3	6.5	0.02	3.34
Current Hamersley Benchmark	62.5	3.90	0.08	2.50



Source: MGI shipping schedule & Hamersley benchmark specs

Rights issue – key details and timetable

Key Details
<ul style="list-style-type: none"> • Renounceable pro rata rights issue • 1 new share for every 5 existing shares • Issue Price - \$0.60. 103% premium to close on 17 Nov 08. 81% premium to 5 day VWAP to 17 Nov 08 • New Shares - 160.9m new shares issued to raise \$96.5m • Fully underwritten by APAC and Shougang Concord • Underwriting Fees – 3.5% + expenses • Approvals – Shareholder approval required for Underwriting (not for Rights Issue) • APAC has undertaken to take up Rights • Use of proceeds <ul style="list-style-type: none"> – Working capital – Koolan Island (main pit) & Extension Hill developments

Provisional Timetable ¹	Date
Offer document lodged with ASIC	1 Dec 08
Shares quoted on an “ex” basis	3 Dec 08
Rights trading commences	3 Dec 08
Record date	9 Dec 08
Offer document despatched	10 Dec 08
Rights trading ends	29 Dec 08
Closing date for offer	6 Jan 09
Issue of new shares	9 Jan 09

1: All dates are an estimate of likely timing and are subject to confirmation with ASX. Mount Gibson may alter these dates without advance warning

Rights Issue & Placement Pricing

Transaction price relative to MGI share price

	Transaction Price Premium (Discount) to VWAP
Close prior to trading halt	48%
10 day VWAP to 17 Nov	49%
VWAP since 9 Oct announcement	21%
30 day VWAP to 17 Nov	(2%)
60 day VWAP to 17 Nov	(40%)

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Summary of selected broker comments

Broker	Date	Commentary
Bell Potter	5 Nov 08	“After due consideration to the risks involved, we consider that the iron ore business is trading at an unreasonable discount to underlying value. In view of this we are upgrading our recommendation to Buy from Neutral.”
Macquarie	4 Nov 08	“At an asset level the MGX story remains intact and has in our view the most achievable medium-term growth profile in the junior iron ore industry without the billion dollar capex price tag and is sure to come under the scrutiny from a number of integrated mills outside of China.”
Goldman Sachs JBWere	3 Nov 08	“Overall we feel that the ability to continue as a going concern offsets the negative impact of the revised prices negotiated and the diluting shareholders through the placement to Shougang Concord.”
Merrill Lynch	3 Nov 08	“MGX does not appear to be exposed to much downside by this package, and has the probably the best upside leverage, if the turn occurs.”

SC / APAC shareholding post rights issue

SC/APAC will own between 28.5% and 40.4% if the underwriting and placement are approved

If shareholders subscribe for 100% of rights...

Post Rights Issue and Placement	# of Shares ¹	%
Shougang Concord	110,000,000	10.2%
APAC	196,977,773	18.3%
Other Shareholders	768,249,212	71.4%
Total	1,075,226,985	100.0%

If shareholders subscribe for 0% of rights...

Post Rights Issue and Placement	# of Shares ¹	%
Shougang Concord	155,141,535	14.4%
APAC	279,877,773	26.0%
Other Shareholders	640,207,677	59.5%
Total	1,075,226,985	100.0%



1: Excludes options and performance rights