

# AGM Presentation

18 November 2009



**Mount Gibson Iron**

# Disclaimer

This Document is Confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person, or published, in whole or in part, for any purpose without prior written approval from Mount Gibson Iron Limited.

This Document is not a Prospectus nor an Offer to Subscribe for Shares.

Mount Gibson Iron Limited and its subsidiaries (“MGI”) makes no representations or warranty (express or implied) as to the accuracy, reliability or completeness of this document. MGI and its respective directors, employees, agents and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (expressed or implied) arising out of, or contained in or derived from, or for any omissions from this document, except liability under statute that cannot be excluded.

This document contains reference to certain forecasts, projections, intentions, expectations and plans of MGI, which may or may not be achieved. They are based on certain assumptions which may not be met or on which views may differ.

The performance and operations of MGI may be influenced by a number of factors, uncertainties and contingencies many of which are outside the control of MGI and its directors.

No representation or warranty (expressed or implied) is made by MGI or any of its respective directors, officers, employees, advisers or agents that any forecasts, projections, intentions, expectations or plans set out in this document will be achieved, either totally or partially, or that any particular rate of return will be achieved.

Investments in shares in MGI is considered highly speculative.

# Contents

1	Industry Context
2	Events and Response
3	Impact – current position
4	Outlook

# Long term outlook – what was said last year

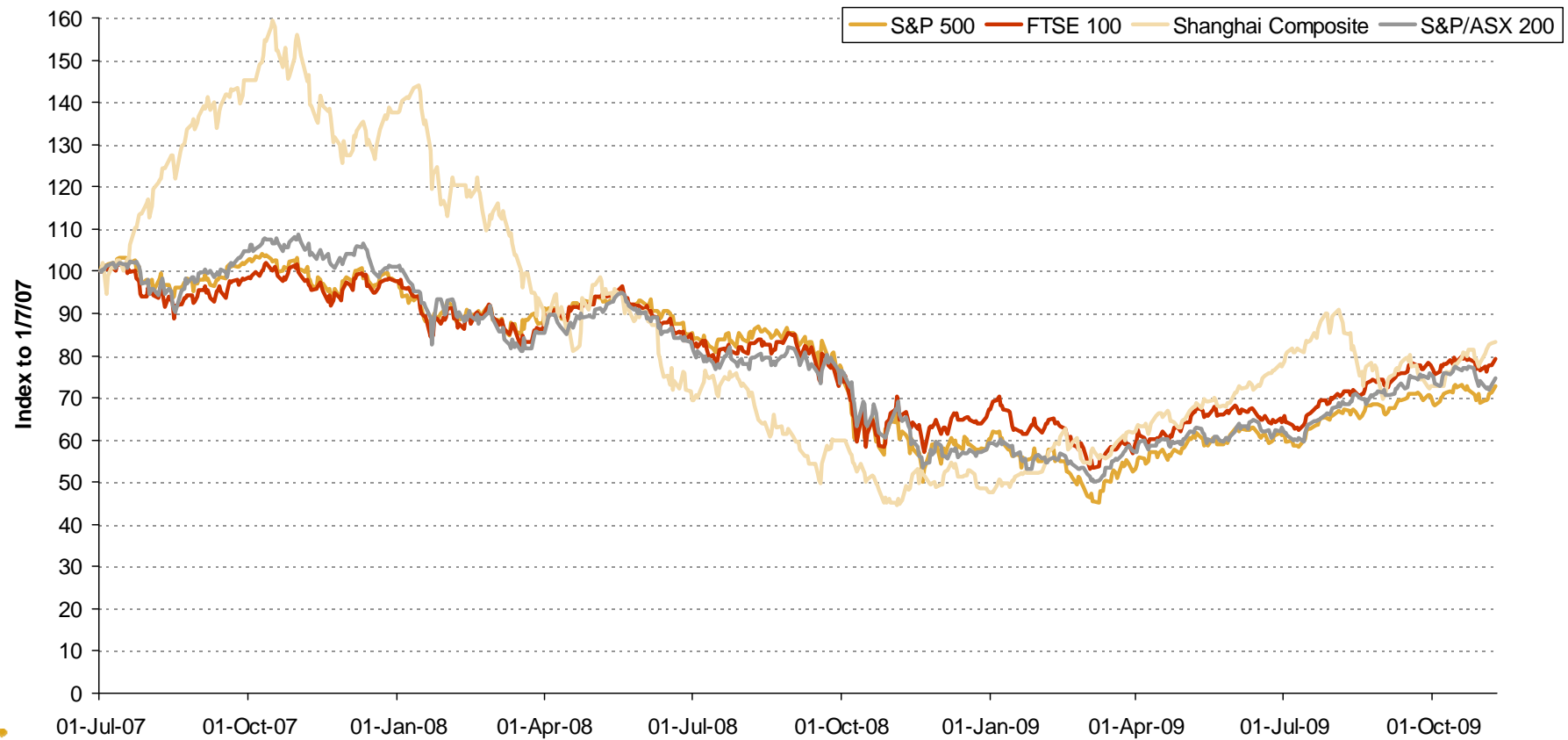
Few question longer term growth in steel, however material price pressure likely to continue for near term

- 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)

# Capital markets

Markets recovering from the lows of 12 months ago...

## Major equity market indices 2007 – 2009

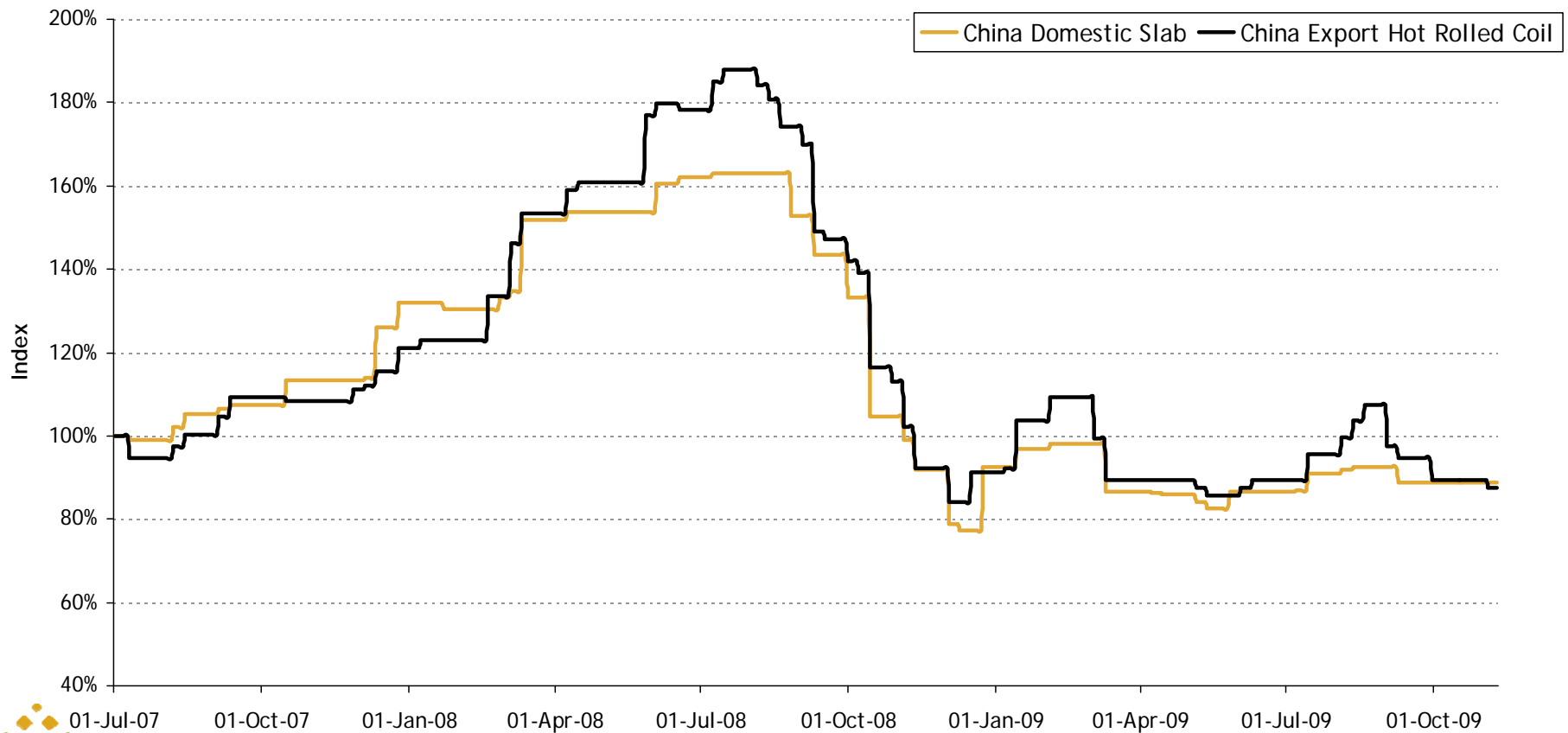


Source: Bloomberg (10/11/09)

# Steel prices

Steel prices have stabilised over the last 12 months...

## Steel prices 2007 – 2009

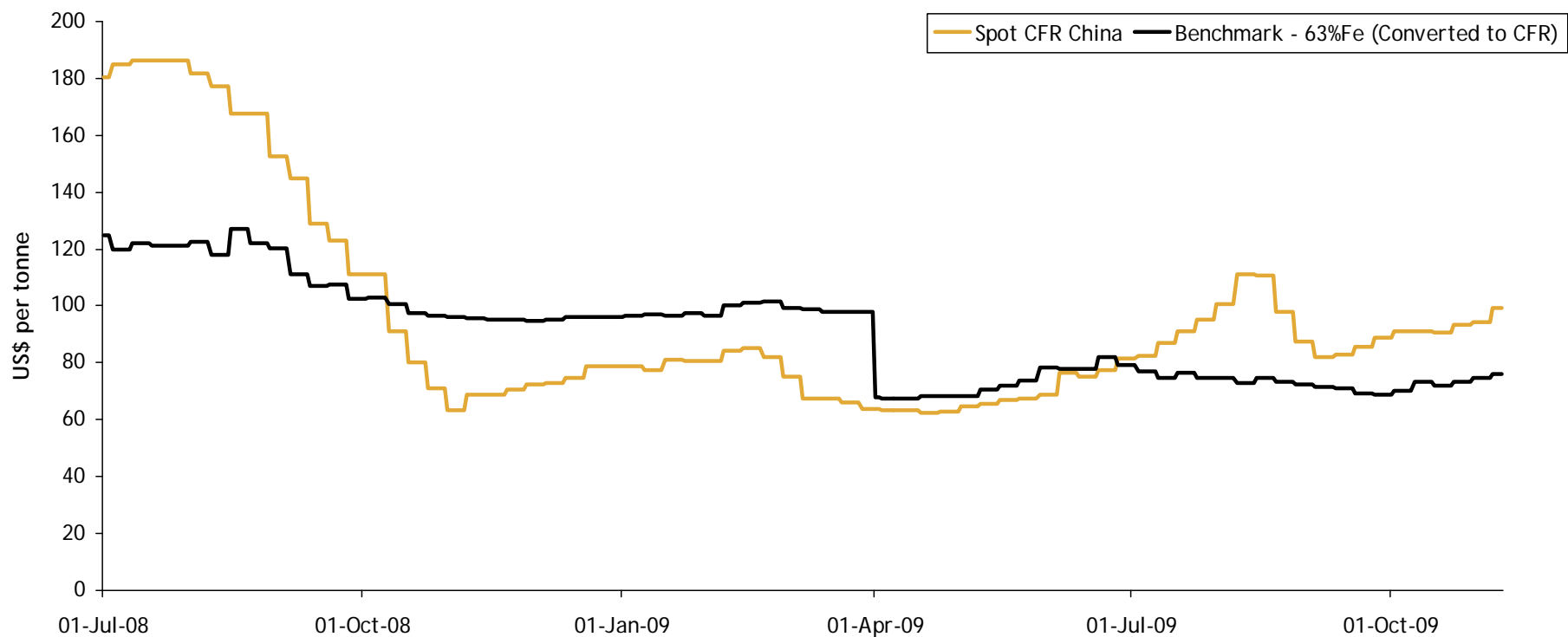


Source: Bloomberg (10/11/09)

# Iron ore Fines prices CFR China

The spot price has recovered and is trading slightly above the current benchmark (CFR) price...

## Iron ore Fines price – CFR China 2008 – 2009



Source: Bloomberg (10/11/09)

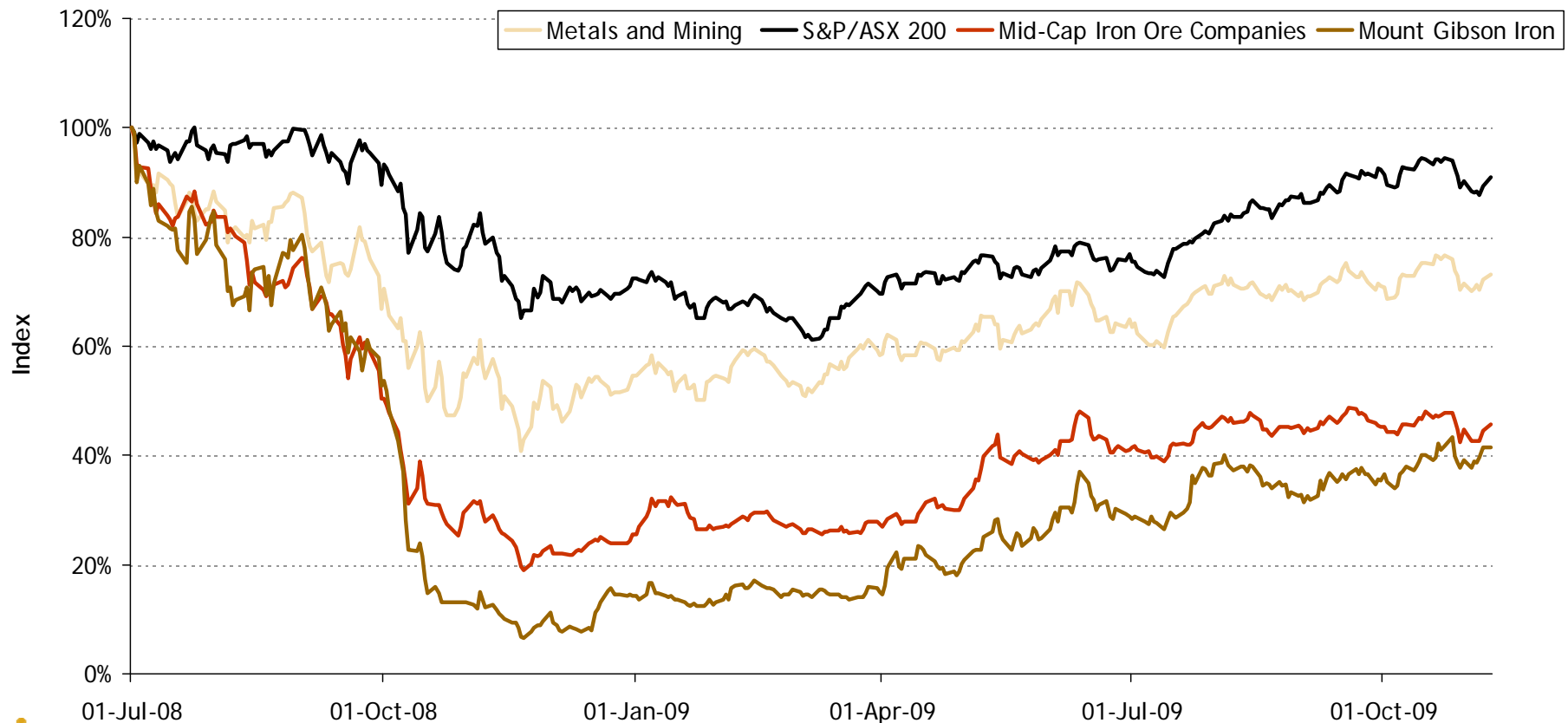
Note: Benchmark converted to CFR with the addition of shipping rates from Dampier to Qingdao.



# Impact on share prices

Mid cap iron ore producer/developer share prices have increased ~140% since November 2008...

## Indices of Australian mining companies – majors vs. midcaps 2008 – 2009



Source: Bloomberg (10/11/09); Mid Cap Iron Ore companies – FMG, AGO, GBG, GRR, MMX, TTY, SPH, ARH, CFE, GWR.



# Contents

1	Industry Context
<b>2</b>	<b>Events and Response</b>
3	Impact – current position
4	Outlook

# Events

The actions of defaulting customers placed MGI under unprecedented financial pressure...

- Rapid deterioration in the spot price for iron ore
- Spot volumes evaporated
- MGI customers sought to defer and cancel shipments
- MGI customers breached offtake agreements

# Appropriate Response

Failure to act appropriately threatened MGI as a going concern...

- Reconfigured business to preserve cash
- Three customers terminated
  - Sinom (Hong Kong) Limited (Sinom)
  - Pioneer Iron and Steel Group Ltd (Pioneer)
  - Rizhao Steel Holding Group Co Ltd (Rizhao)
- Secured short, medium and long term offtake agreements for available production
- Raised funds
  - Rights issue – A\$96.5 million
  - Placement – A\$66 million
- Pursuing terminated customers through arbitration for loss and damage
- Revised operational development strategy

# Contents

1	Industry Context
2	Events and Response
<b>3</b>	<b>Impact – current position</b>
4	Outlook

# 2009 Financial results - P&L

		12 months ended 30 June 2009	12 months ended 30 June 2008	%
Sales volume	000 wmt	5,398	5,343	1%
Sales revenue	\$ mill	425.4	432.7	(2%)
Other revenue	\$ mill	6.3	2.5	152%
<b>Total revenue</b>	\$ mill	<b>431.7</b>	<b>435.2</b>	(1%)
Cost of sales	\$ mill	(293.5)	(244.6)	(20%)
<b>Gross profit</b>	\$ mill	<b>138.2</b>	<b>190.6</b>	(27%)
Gross Profit %		32.08%	43.7%	
<b>Operating profit before tax</b>	\$ mill	<b>61.7</b>	<b>163.9</b>	(62%)
Taxation (expense)	\$ mill	(19.1)	(50.6)	(62%)
<b>Operating profit after tax</b>	\$ mill	<b>42.6</b>	<b>113.3</b>	(62%)

# Current Position

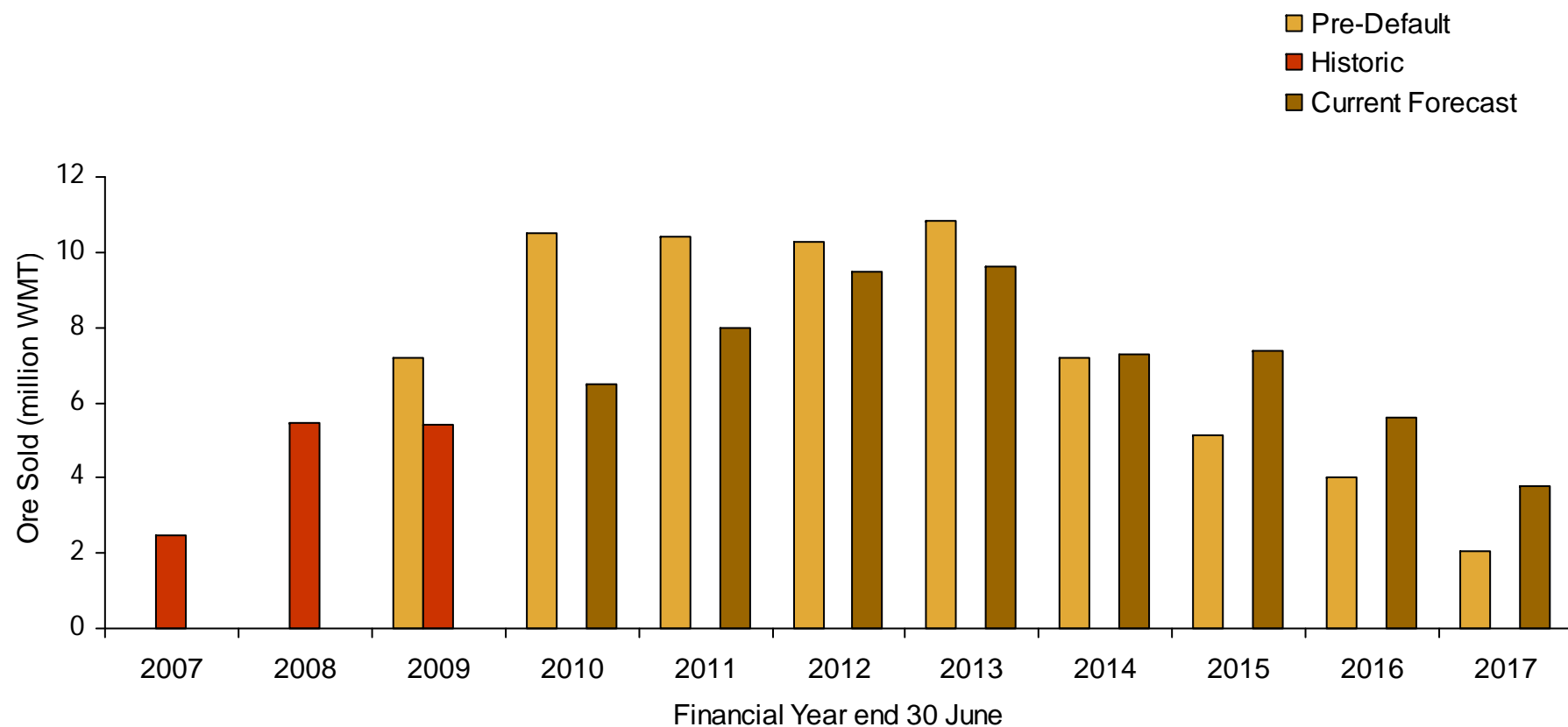
- Operations have performed according to plan this financial year
  - Talling Peak to the end of October:
    - Lump Sales 684kt @ 62.4% Fe
    - Fines Sales 272kt @ 61% Fe
  - Koolan Island
    - Lump Sales 494kt @ 64.2% Fe
    - Fines Sales 727kt @ 61.3% Fe
- Record sales expected in November
- Hedge is \$23 million in the money
- Cash position end of October was \$254 million
- Very strong balance sheet with net assets to the end of October of \$831 million
- US\$30 million settlement with Sinom
- Mount Gibson continues to pursue Rizhao & Pioneer through arbitration
- Iron ore imports into China are at record levels
- Offtake agreements working effectively

# Contents

1	Industry Context
2	Events and Response
3	Impact – current position
4	<b>Outlook</b>

# Historic production growth and current forecast

Production growth will continue from 2009-10 after disrupted growth during 2008-09



# Observations

- Quality of customer is more important than number of customers
- Legal reciprocal contractual rights enhances performance and relationship
- Relativity of spot price and contract price drove customer behaviour
- Mount Gibson has demonstrated the strength of its contracts with its long term offtake customers and is confident that the strength of these contracts will be further demonstrated in current arbitration proceedings
- MGI's relative size and influence in the iron ore market was disabling however no producer was immune to the downturn in the market
- MGI's vulnerability given the relative stages of operations development
- Staged approach to project development reduces risk appreciably
- Support of major shareholders is omnipotent
- Banks supportive but predatory
- Strong cash position is vital
- MGI's transparency to the market and its shareholders was and remains unquestionable

# Outlook

- Current demand appears strong which is reflected by China's iron ore imports and the relative spot to benchmark price
- Fundamentals of the medium to long term steel industry appear strong which will translate to strong demand and increased capacity
- Eventual recovery in other Asian, European and American market likely to stimulate further demand
- State Government welcomed MGI's proposal to build, own & operate the upgrade to the rail unloader at the Geraldton Port and has elected to retain ownership of multiuser port facilities whilst informing MGI that the GPA is in the process of submitting a proposal to State Government to upgrade the existing rail unloading facility
- MGI will continue to grow its production base particularly at Koolan Island and Extension Hill
- Tallering Peak will yield strong cash flows through to closure in 2013 at projected iron ore prices
- MGI has strengthened the customer base
- MGI is in a strong position to grow the existing business, acquire carbon steel related projects &/or businesses and diversify the commodity base