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## MOUNT GIBSON AGREES SETTLEMENT WITH RIZHAO STEEL

Mount Gibson Iron Limited is pleased to announce that it has agreed settlement terms on behalf of its two operating subsidiaries ("**Mount Gibson**") with Rizhao Steel Holding Group Co Ltd ("**Rizhao Steel**") in relation to two arbitral awards delivered in Mount Gibson's favour in August 2010.

Under the awards, which were delivered following arbitrations between the parties and announced to ASX on 17 August 2010, Rizhao Steel was ordered to pay Mount Gibson US\$114 million in damages plus interest of 6% from the date of award plus Mount Gibson's costs of the arbitration.

The awards have to date remained wholly unmet. Mount Gibson has sought recognition and enforcement of the awards in various jurisdictions, including in the People's Republic of China. These efforts have culminated in a settlement on terms favourable to Mount Gibson and its shareholders.

Under the settlement, Rizhao Steel will enter into two offtake agreements with Mount Gibson, the first of which is in respect of an agreed quantity of mineralised waste material from Koolan Island, and the second for Extension Hill hematite.

Under the Koolan Island agreement, Rizhao will purchase 1,700,000 tonnes of mineralised waste material (<54% Fe and high contaminant) from Koolan Island over a two to three year period. As a consequence, Mount Gibson will realise near term value for material that had been categorised as waste. Total cash proceeds before crushing, shiploading and royalty costs will be approximately US\$82 million.

In addition, Rizhao Steel has agreed to purchase 25% of annual production from Extension Hill at a market clearing price plus an agreed premium, over a period of 5 years.

As a condition precedent to the settlement, Rizhao Steel will pay Mount Gibson a non-refundable deposit of US\$15 million, to be applied in reduction of the price payable for material purchased under both the Koolan Island agreement and the Extension Hill agreement over their term. The settlement and performance of the off-take agreements will result in Mount Gibson recovering a proportion of the awards, the bulk of which being derived in the first three years.

While Rizhao Steel performs the offtake agreements, all legal proceedings commenced by either party will be stayed. The parties will be fully discharged from all liability upon performance by Rizhao Steel of all its obligations under the offtake agreements. If Rizhao Steel were to breach an offtake agreement in a manner that entitles Mount Gibson to terminate the agreement, Mount Gibson may elect to either enforce the awards by re-enlivening enforcement proceedings or commence fresh proceedings under the terms of the offtake agreements themselves.

Mount Gibson has separately agreed to sell an additional 1,000,000 of mineralised waste material (<54% Fe and high contaminant) from Koolan Island to a wholly owned subsidiary of Shougang Concord International Enterprises Company Limited ("**Shougang Concord**"), over a three year period with formal documentation to be entered into shortly. Total cash proceeds before crushing, shiploading and royalty costs will be approximately US\$47 million. Shougang Concord is Mount Gibson's largest existing customer, purchasing 80% of Koolan Island's available production.

Mount Gibson believes the settlement represented a good outcome for Mount Gibson shareholders. Whilst Mount Gibson rightfully believes it is entitled to payment of the awards in full, the reality is that enforcement proceedings in the People's Republic of China could potentially take many years before a successful outcome could be achieved. By agreeing a settlement with Rizhao Steel, Mount Gibson will receive an immediate return by way of the upfront US\$15 million payment, together with a significant ongoing benefit of receiving revenue from the sale of mineralised waste material from Koolan Island and iron ore sales from Extension Hill at a premium. Mount Gibson's largest customer Shougang Concord has shown strong commitment to Mount Gibson by also agreeing to purchase a significant quantity of mineralised waste material.

With Rizhao Steel purchasing 25% of production from Extension Hill, Mount Gibson has locked in two customers purchasing nearly three quarters of production from the mine. Agreements for the remaining 25% of Extension Hill production are under negotiation.

Yours sincerely

**MOUNT GIBSON IRON LIMITED**



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

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