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MGX Chairman's Address – 2013 Annual General Meeting

Good morning ladies and gentlemen, fellow shareholders of Mount Gibson Iron and welcome to the 2013 annual meeting.

This is the third such occasion that I have had to talk to you about your company. This year, it seems appropriate to dwell a little on what has been achieved during that period and to spell out to you just why your company has a great future.

Last year I outlined how we had reshaped and strengthened the business on many fronts to establish a solid platform.

All of that good work has enabled our executive team and workforce on the ground to focus on what they do best – extract iron ore and add value to the company.

As supporters of Mount Gibson, I hope that most of you will already have come to the conclusion that you are backing a well-managed entity with valuable assets. If so, you will also understand the real value of your shares – which I am very pleased to note have gained considerably in price in recent months.

We have fundamental strengths in our business that should not be over-looked.

Top of the list is a sound and robust business model that provides significant competitive advantages and further provides us with the ability to handle the volatility that sometimes besets the global iron ore trade. Fortunately, in the year under review we saw stability return in terms of prices and demand.

At Mount Gibson, we extract one product and that is direct shipping hematite ore. These wonderful lumps of red rock that are mined from near surface orebodies have long been regarded as being a premium raw material by Asian steel mills.

We currently mine hematite ore from three mines – Koolan Island off the Kimberley coast, and the Extension Hill and the Tallering Peak mines in the Mid West.

Last year we achieved record sales, and in the current year we are targeting new production and shipping records.

We are able to do this, in part, because we have long-term contracts with buyers in China, evidenced by the support from our Chinese Shareholders, which provide us with assured levels of up-take and guaranteed cash flows.

Frankly, this is our most valuable asset. Not everyone in our industry has that benefit, although I bet they wish they did have.

It also helps that, at a time when others are spending many billions in this State to open new iron ore mines, we have no debt other than a modest amount of mining fleet lease arrangements.

Our mines have paid for themselves and are providing substantial sums of cash that we have used so far to pay \$130 million in dividends since September 2011. We also have \$420 million cash as at September 30 this year to use in the event that attractive expansion opportunities come our way.

Despite the fact that we are expanding output, we have no major capital expenditure requirements. Sure, we are part way through an optimisation program at Koolan that will see the output and life of that operation extended, but there are no large project development capex bills being incurred in undertaking this program.

Adding to this point, we also own much of our own infrastructure, including valuable port facilities at Geraldton and Koolan that others would give their right arms to own.

We are buttressed also by having a stable and very competent workforce. We have made the transition away from contract mining and we have also been through a regrettable – although necessary – downsizing of our workforce.

Putting together the attributes that I have just mentioned - our mines, our strong relationships with Chinese shareholders and iron ore buyers, our workforce and our transportation facilities - we have the potential to boost production rates further still.

In the year to June 2013, we sold 8.8 million tonnes of ore to yield record sales revenue surpassing \$850 million. For the current year, we are forecasting sales somewhere between 9 and 9.5 million tonnes.

We have just commenced promising exploration programs for new reserves of direct shipping hematite in the Mid West, which Jim Beyer will outline in more detail.

These exploration programs are underway at Field's Find and Extension Hill South with the aim of boosting our economic reserves of iron ore. While more work is required before we can quantify the success of this work, we are quietly confident of the outcome.

Be assured that this is a growth strategy that will deliver benefits in the years to come.

The conclusion to be drawn is that Mount Gibson Iron is a low risk iron ore mining company.

In the past, it has not always been viewed that way. Because of our strong corporate profile, it is my belief that our shares should be selling at a premium to those iron ore producers with high levels of debt, constrained cash flows and no long-term off-take agreements.

The Board before you here today has worked hard to ensure that we have the best team of people to manage our assets and provide you with the highest possible returns – for now and the future.

We have a strong financial position, capable management and an excellent Board. Finally, I would like to thank our shareholders for your support and our employees and contractors for their unstinting efforts.

Geoff Hill

Chairman
Mount Gibson Iron

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