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VIA: WWW.ASXONLINE.COM

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The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

US\$30m settlement with former customer

Mount Gibson Iron Limited advises that its wholly owned subsidiary, Mount Gibson Mining Limited ("**Mount Gibson**"), has entered into a settlement agreement with Sinom (Hong Kong) Limited ("**Sinom**") in relation to arbitral and other proceedings brought by Mount Gibson against Sinom. The arbitration arose from Sinom not taking scheduled iron ore shipments in September and October 2008 under a long term offtake agreement and the subsequent termination of that agreement by Mount Gibson.

In summary, the terms of the settlement are as follows:

- Sinom will pay Mount Gibson US\$30 million in staged quarterly payments commencing on 10 November 2009 and ending on 10 May 2011. If there has been no default by Sinom under the settlement agreement then the amount will be reduced to:
 - US\$25 million if Sinom pays that amount in full before 10 May 2010; or
 - US\$27.5 million if Sinom pays that amount in full before 10 February 2011
- Mount Gibson has been granted securities and a guarantee by parties related to Sinom for these payments, including second ranking registered fixed charges and registered fixed and floating charges over Australian assets, which adequately secure the amount due under the settlement
- the parties have mutually released and discharged each other from all claims arising under or in respect of the long term offtake agreement and all proceedings between the parties have been brought to an end.

Mount Gibson's Managing Director Luke Tonkin said "this settlement with Sinom is a very pleasing outcome and shows the strength of Mount Gibson's contracts with its long term offtake customers. The company will continue to pursue the remaining two defaulting customers through arbitration to recover the substantial losses and damages which the company suffered. Mount Gibson remains quietly confident about the outcome of these arbitrations."

Yours sincerely

MOUNT GIBSON IRON LIMITED

David Berg
Company Secretary

For further information:

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