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The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
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Iron Ore Pricing Mechanism Agreed with Major Customers

Mount Gibson Iron Limited ("**Mount Gibson**") is pleased to advise that it has reached agreement with two of its customers, Shougang Concord International Enterprises Company Limited ("**Shougang**") and APAC Resources Limited ("**APAC**"), on a revised pricing mechanism to apply under ore sales agreements for Talling Peak and Koolan Island iron ore product ("**Sales Agreements**"). The revised pricing mechanism will now reflect a market based clearing index.

Previously, pricing under the Sales Agreements was based on the annual benchmark price set by Rio Tinto and its subsidiaries for its Pilbara blend lump and fines products. To date, no benchmark price has been announced by Rio Tinto for the 2010/11 year. As a result, as contemplated by the Sales Agreements, Mount Gibson has negotiated with Shougang and APAC a revised pricing mechanism to apply in place of the benchmark price.

The agreed revised pricing mechanism adopts the Platts Iron Ore Index Price ("**Platts Index**") which is published daily for iron ore product with Fe content ranging from 58% to 65% and is quoted on a US\$ per dry metric ton CFR North China basis. The price to be paid by Shougang and APAC for Mount Gibson's Talling Peak and Koolan Island iron ore will be based on the applicable Platts Index for the type and quality of ore delivered and will reflect the average Platts Index for the preceding calendar month of the iron ore shipment. The average monthly Platts Index will be converted to an FOB price per dry metric ton by deducting the calculated shipping freight costs utilising corresponding shipping average monthly indices for Panamax vessels from the ports of Geraldton and Koolan Island to Qingdao. Lump iron ore will receive a premium to the published Platts Index price.

Mount Gibson's Managing Director Luke Tonkin said: "The introduction of a comprehensive market clearing pricing system by Rio Tinto and BHP Billiton reflects a significant departure from the benchmark system and better reflects market supply and demand. This will help insulate producers and purchasers from the negative impacts of events such as those that occurred in late 2008 and allow Mount Gibson to participate directly in market driven price movements." He also said: "Driving change in an iron ore pricing mechanism requires both the buyer and seller to enter into negotiations in good faith and participate in those negotiations robustly but cooperatively. These important principles were embraced by Mount Gibson, Shougang and APAC in reaching a mutually beneficial negotiated outcome. Mount Gibson anticipates its remaining customers will adopt a similar pricing mechanism to that negotiated with Shougang and APAC."

Yours sincerely

MOUNT GIBSON IRON LIMITED



David Berg
Company Secretary

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