



MOUNT GIBSON IRON LIMITED

ACN 008 670 817

NOTICE OF MEETING

with

EXPLANATORY MEMORANDUM & VOTING INFORMATION STATEMENT

**FOR THE
ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**WEDNESDAY, 12 NOVEMBER 2014
AT CITY WEST FUNCTION CENTRE
45 PLAISTOWE MEWS, WEST PERTH, 6005
AT 10.00 AM (PERTH, WA TIME).**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

If you do not understand it, or any part of it,
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are
requested to complete and return the enclosed Proxy Form without
delay to**

**Computershare Investor Services Pty Limited at
GPO Box 242, Melbourne, Victoria 3001**

or by facsimile on

**1800 783 447 (within Australia) or +61 3 9473 2555 (outside
Australia)**

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**NOTICE OF THE ANNUAL GENERAL MEETING
MOUNT GIBSON IRON LIMITED
ACN 008 670 817**

Notice is hereby given that the Annual General Meeting of the Shareholders of Mount Gibson Iron Limited ("**Company**") will be held on the date and at the location and time specified below:

DATE: Wednesday, 12 November 2014

LOCATION: City West Function Centre, 45 Plaistowe Mews, West Perth WA 6005

TIME: 10.00 am (Perth, WA time)

ORDINARY BUSINESS

FINANCIAL REPORTS

To receive and consider the financial report, the Directors' report and Auditor's report for the year ended 30 June 2014.

RESOLUTION 1 - Re-election of Director – Alan Jones

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Alan Jones, being a Director who retires by rotation in accordance with Rule 8.1(d) of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, is re-elected as a Director of the Company."

RESOLUTION 2 - Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the Company for the year ended 30 June 2014 is adopted."

RESOLUTION 3: Renewal of Proportional Takeover Plebiscite

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That Rules 6.1 to 6.3 of the Constitution of the Company, as set out in Schedule 1 of the Notice of Meeting, are renewed for a period of three years commencing on the day this resolution is passed."

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Resolution 3, if passed, will renew the existing provisions in the Constitution that enable the Company to prohibit the registration of a transfer of shares resulting from a proportional (or partial) takeover unless Shareholders approve the offer. For more detailed information on the effects of Resolution 3, please see the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Pursuant to section 250R of the Corporations Act, a vote on Resolution 2 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) any Director, or other member of the Key Management Personnel* of the Company, details of whose remuneration are included in the Remuneration Report*; or
- (b) a Closely Related Party* of such a member.

However, a person described above may vote on this Resolution 2 as a proxy if the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above and either:

- (i) the person holds a directed proxy; or
- (ii) the person is the Chairman of the meeting, the proxy is undirected and the proxy expressly authorises the Chairman of the meeting to exercise the proxy even though the resolution is connected with the remuneration of members of the Key Management Personnel of the Company.**

** These terms are defined in the Definitions section of the Explanatory Memorandum.*

*** Authority in these terms is included in the attached proxy form, but it can be deleted if Shareholders wish to appoint the Chairman of the meeting as proxy without giving a direction as to how to vote on this Resolution 2, but do not wish to authorise him to vote the undirected proxy in his discretion.*

For further information, Shareholders are referred to the Explanatory Memorandum and Voting Information Statement accompanying and forming part of this Notice of Meeting. Both the Notice of Meeting and a blank proxy form can also be located on the Company's website – www.mtgibsoniron.com.au

If you wish to discuss any aspect of this Notice of Meeting, Explanatory Memorandum or Voting Information Statement with the Company, please contact the Company Secretary, David Stokes, by telephone on +61 8 9426 7500.

BY ORDER OF THE BOARD



David Stokes
Company Secretary

DATED: 1 October 2014

EXPLANATORY MEMORANDUM

MOUNT GIBSON IRON LIMITED

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This Explanatory Memorandum has been prepared to assist Shareholders to understand the business to be put to Shareholders at the forthcoming Annual General Meeting.

ORDINARY BUSINESS

FINANCIAL REPORTS

The *Corporations Act 2001* (Cth) ("**Corporations Act**") requires:

- the reports of the Directors and Auditor; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2014,

to be laid before the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders on the reports or statements. However, Shareholders will be given an opportunity to raise questions or comments on the management of the Company.

A reasonable opportunity will be given to Shareholders who are entitled to vote at the meeting to ask the Company's external auditor (Ernst & Young) questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders who are entitled to vote at the meeting may also submit a written question to Ernst & Young (via the Company) if the question is relevant to:

- the content of Ernst & Young's audit report; or
- the conduct of its audit of the Company's annual financial reports for the year ended 30 June 2014.

Relevant questions for Ernst & Young must be received no later than 5.00pm (AWST), Wednesday 5 November 2014. A list of those relevant written questions will be made available to Shareholders attending the meeting. Ernst & Young will either answer the relevant questions at the meeting or table written answers at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting, on the Company's website, www.mtgibsoniron.com.au

Please send any relevant questions for Ernst & Young by 5.00pm (AWST), Wednesday 5 November 2014 to:

- Computershare Investor Services Pty Limited at GPO Box 242, Melbourne, Victoria 3001; or
- the Company at Level 1, 2 Kings Park Road, West Perth, Western Australia, marked for the attention of the Company Secretary.

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The following details should be included with written questions:

- the Shareholder's name; and
- either the Shareholder's Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

RESOLUTION 1 - Re-election of Alan Jones

Mr Jones retires by rotation and, being eligible, offers himself for re-election.

Mr Jones was appointed as an Independent Non-Executive Director on 28 July 2006 and is the current Chairman of the Nomination, Remuneration and Governance Committee. Mr Jones is a Chartered Accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Ltd, Sun Hung Kai & Co Ltd (Hong Kong), Allied Group Ltd (Hong Kong), Allied Properties Ltd (Hong Kong) and Air Change International Limited.

The Board (excluding Mr Jones) recommends that shareholders vote in favour of the re-election of Mr Jones.

The Chairman of the meeting intends to vote undirected proxies in favour of the re-election of Mr Jones.

RESOLUTION 2 - Adoption of Remuneration Report

The Remuneration Report sets out the Company's remuneration arrangements for Directors and senior management and is set out in the Report of the Directors in the Company's 2014 Annual Report.

The Corporations Act requires companies to put a resolution to their Shareholders that the Remuneration Report be adopted. Under section 250R(3) of the Corporations Act, the vote on the resolution is advisory only and does not bind the Directors or the Company.

Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report at the Annual General Meeting.

The Board will consider the outcome of the vote on Resolution 2 and comments made by Shareholders on the Remuneration Report at the Annual General Meeting when reviewing the Company's remuneration policy.

The Company encourages all shareholders to cast their votes on Resolution 2.

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

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Under the Corporations Act, if 25% or more of votes cast on Resolution 2 at the Annual General Meeting were against the adoption of the Remuneration Report, and this occurred again at the Company's 2015 Annual General Meeting in relation to the remuneration report considered at that meeting, the following sequence of events would occur:

- The Company would be required to put to Shareholders at the 2015 Annual General Meeting a resolution (**Spill Resolution**) proposing the calling of a general meeting to consider the appointment of directors of the Company.*
- If more than 50% of Shareholders voted in favour of the Spill Resolution, the Company would be required to convene the general meeting (**Spill Meeting**) within 90 days after the 2015 Annual General Meeting.*
- All of the Directors who were in office when the 2015 Directors' Report was approved by the Board, other than the Managing Director of the Company (if any), would cease to hold office immediately before the end of the Spill Meeting but could stand for re-election at the Spill Meeting.*
- Following the Spill Meeting those persons whose election or re-election as Directors was approved at the Spill Meeting would be the Directors of the Company.*

RESOLUTION 3: Renewal of Proportional Takeover Plebiscite

Rules 6.1 to 6.3 of the Constitution provide that the Company can prohibit the registration of a transfer of shares resulting from a proportional (or partial) takeover unless Shareholders in general meeting approve the offer. Under the Corporations Act and Rule 6.4 of the Constitution, Rules 6.1 to 6.3 cease to have effect on the third anniversary of their adoption, which is 16 November 2014.

The Directors consider that it is in the interests of Shareholders for the Company to retain a proportional takeover rule and approval is therefore being sought to renew Rules 6.1 to 6.3 of the Constitution.

The Corporations Act also requires that we provide you with sufficient information to make an informed decision on whether to support or oppose the resolution.

Why do we need the proportional takeover approval provisions?

In a proportional takeover bid, the bidder offers to buy a proportion only of each shareholder's shares in the target company.

This means that control of the Company may pass without Shareholders having the chance to sell all their shares to the bidder. The bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, a company may provide in its constitution that if a proportional takeover bid is made for shares in the company, shareholders must vote at a general meeting on whether to accept or reject the offer. The majority decision of shareholders present and voting at the meeting will be binding on all shareholders.

The benefit of the provision is that shareholders are able to decide collectively whether the proportional offer is acceptable in principle and it may ensure that any partial offer is appropriately priced. If the offer does proceed, individual shareholders can then make a separate decision as to whether they wish to accept the bid for their shares.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that Shareholders vote on a resolution to approve the bid at least 15 days before the day the bid period closes. The vote is decided on a simple majority.

Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote, but the bidder and its associates are not allowed to vote. If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. Any contracts formed by acceptances will be rescinded. If the bid is approved (or taken to have been approved), the transfers must be registered provided they comply with the Corporations Act and the Company's Constitution.

If the resolution is not voted on before the 15 day deadline specified in the Corporations Act, the bid will be taken to have been approved.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for 3 years from the date of their renewal pursuant to Resolution 3. The provisions may again be renewed by a special resolution of Shareholders.

No present acquisition proposals

At the date this Notice of Meeting was prepared, no Director is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages

While the renewal of Rules 6.1 to 6.3 will allow the Board to ascertain Shareholders' views on a proportional takeover bid, the Directors consider that the proportional takeover approval provisions have no potential advantages or disadvantages for them. They remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential **advantages** of the proportional takeover approval provisions for Shareholders are:

- Shareholders will have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- the provisions may help Shareholders avoid being locked in as a minority;
- the provisions increase the bargaining power of Shareholders, which may ensure that any partial offer is adequately priced; and

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- knowing the view of the majority of Shareholders may help each individual Shareholder assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject that offer.

The potential **disadvantages** for Shareholders include:

- proportional takeover bids for shares in the Company may be discouraged and may reduce any speculative element in the market price of the Company's shares arising from a takeover offer being made;
- Shareholders may lose an opportunity of selling some of their shares at a premium;
- the chance of a proportional takeover bid being successful may be reduced due to the delay, cost and uncertainty involved in convening a General Meeting; and
- the renewal of Rules 6.1 to 6.3 may also be considered an additional restriction on the ability of Shareholders to deal freely with their shares.

While the proportional takeover approval provisions have previously been in effect in the existing Constitution, there have been no full or proportional takeover bids for the Company. Therefore, there has been no example against which to review the advantages or disadvantages of the provisions for the Directors and the Shareholders, respectively, during the period in which the proportional takeover provisions were effective.

The Board considers that the potential advantages for Shareholders of the proportional takeover approval provisions outweigh the potential disadvantages. In particular, Shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.

The Board recommends that Shareholders support renewal of the proportional takeover approval provisions, by voting in favour of Resolution 3.

The Chairman intends to vote undirected proxies in favour of this Resolution.

A copy of the Constitution of the Company is available from Mount Gibson's website (www.mtgibsoniron.com.au).

You can also request a copy of the Constitution by writing to the Company Secretary or emailing admin@mtgibsoniron.com.au.

Definitions

Key Management Personnel has the same meaning as in the accounting standards published by the Australian Accounting Standards Board and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Closely Related Party of a member of Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Remuneration Report means the remuneration report set out in the Directors' Report section of the Company's Annual Report for the year ended 30 June 2014.

Schedule 1 – Rules 6.1 to 6.3 of the Constitution

6.1 Definitions

The meanings of the terms used in this rule 6 are set out below.

Term	Meaning
Approving Resolution	in relation to a Proportional Takeover Bid, means a resolution to approve the Proportional Takeover Bid passed in accordance with rule 6.3.
Approving Resolution Deadline	in relation to a Proportional Takeover Bid, means the day that is 14 days before the last day of the bid period, during which the offers under the Proportional Takeover Bid remain open or a later day allowed by the Australian Securities and Investments Commission.
Proportional Takeover Bid	a takeover bid that is made or purports to be made under section 618(1)(b) of the Act in respect of securities included in a class of securities in the company.
Relevant Class	in relation to a Proportional Takeover Bid, means the class of securities in the company in respect of which offers are made under the Proportional Takeover Bid.

6.2 Transfers not to be registered

Despite rules 5.1(c) and 5.2, a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Takeover Bid must not be registered unless an Approving Resolution to approve the Proportional Takeover Bid has been passed or is taken to have been passed in accordance with rule 6.3.

6.3 Approving Resolution

- (a) Where offers have been made under a Proportional Takeover Bid, the directors must:
 - (1) convene a meeting of the persons entitled to vote on the Approving Resolution for the purpose of considering and, if thought fit, passing a resolution to approve the Proportional Takeover Bid; and
 - (2) ensure that the resolution is voted on in accordance with this rule 6.3, before the Approving Resolution Deadline.
- (b) The provisions of this constitution relating to general meetings apply, with such modification as the circumstances require, to a meeting that is convened under rule 6.3(a), as if that meeting were a general meeting of the company.

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- (c) The bidder under a Proportional Takeover Bid and any associates of the bidder are not entitled to vote on the Approving Resolution and if they do vote, their votes must not be counted.
- (d) Subject to rule 6.3(c), a person who, as at the end of the day on which the first offer under the Proportional Takeover Bid was made, held securities of the relevant class, is entitled to vote on the Approving Resolution relating to the Proportional Takeover Bid.
- (e) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.
- (f) If an Approving Resolution has not been voted on in accordance with this rule 6.3 as at the end of the day before the Approving Resolution Deadline, an Approving Resolution will be taken to have been passed in accordance with this rule 6.3 on the Approving Resolution Deadline.

VOTING INFORMATION STATEMENT

ENTITLEMENT TO VOTE

The Company has determined under the *Corporations Regulations 2001* (Cth) regulation 7.11.37 that for the purposes of the Annual General Meeting, Shareholders will be taken to be those registered holders of the Company's shares at 4.00pm (Perth, WA time) on Monday 10 November 2014. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

HOW TO VOTE

Shareholders may vote by attending the meeting in person, by proxy or by authorised representative.

VOTING IN PERSON

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.00am (AWST).

PROXIES

Appointing a proxy

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- Each Shareholder entitled to attend and vote at the Annual General Meeting has the right to appoint a proxy (and where a shareholder is entitled to cast two or more votes, may appoint two proxies) to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the proxy form.
- Where more than one proxy is appointed by a Shareholder, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
- A duly appointed proxy need not be a Shareholder of the Company.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed).
- (b) If the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands.

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- (c) If the proxy is the Chairman of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed).
- (d) If the proxy is not the Chairman of the meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of Non-Chairman proxy to Chairman in certain circumstances

Section 250BC of the Corporations Act provides that, if all of the following criteria (a) to (d) are met:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the Chairman of the meeting;
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting; or
 - (ii) the proxy does not vote on the resolution,

then the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Signing instructions – proxy form

- (a) **(Individual)**: Where the holding is in one name, the Shareholder must sign.
- (b) **(Joint holding)**: Where the holding is in more than one name, all of the Shareholders should sign.
- (c) **(Power of Attorney)**: If you have not already provided the Power of Attorney to the registry, please attach a certified photocopy of the Power of Attorney to the enclosed proxy form when you return it.
- (d) **(Companies)**: Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

Attending the meeting

Completion of a proxy form will not prevent individual Shareholders from attending the Annual General Meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present.

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Return of proxy form

To vote by proxy, please complete and sign the enclosed proxy form and return to the Company using one of the following options:

- In person: Level 1, 2 Kings Park, West Perth, Western Australia
- By Mail: GPO Box 242, Melbourne, Victoria 3001
- By facsimile: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)
- Electronically: Submit proxy voting instructions online at www.investorvote.com.au
Please refer to the enclosed proxy form for more information about submitting proxy voting instructions online.

The proxy form must be received by the Company at least 48 hours prior to the time of the commencement of the Annual General Meeting, that is by 10.00am (AWST) on Monday, 10 November 2014. Proxy forms received later than this time will be invalid.

Proxy Restrictions regarding Resolution 2

The Chairman of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions, including (to the extent permitted by law) Resolution 2 (Remuneration Report).

If you wish to appoint the Chairman of the meeting as proxy without giving a direction as to how to vote on Resolution 2, but do not wish to authorise him to vote the undirected proxy in his discretion, please delete the following words from the proxy form "I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 2 (except where I/we have indicated a different voting intention below) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman" in Step 1 of the proxy form.

Apart from the Chairman of the meeting, if you appoint any other Director of the Company, any other member of Key Management Personnel or any of their Closely Related Parties to be your proxy (KMP Proxy) and you wish to vote on Resolution 2, then you must direct your KMP Proxy to either vote "for", "against" or "abstain" on Resolution 2. If you do not give a direction to your KMP Proxy how to vote on Resolution 2, your KMP Proxy cannot exercise your vote in relation not Resolution 2.

CUSTODIAN VOTING

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

