

**Mount Gibson Iron Limited**

**ABN 87 008 670 817**

**NOTICE OF GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM  
TO SHAREHOLDERS**

**A PROXY FORM IS ENCLOSED**

**Please read the Notice and Explanatory Memorandum carefully.**

**If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.**

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# Mount Gibson Iron Limited

ABN 87 008 670 817

## Notice of general meeting

Notice is given that a general meeting of the Company will be held at the Celtic Club, Function Room, 48 Ord Street, West Perth, on Friday, 11 August 2006 at 10.00am.

### Agenda items

#### 1 Election of director

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

That Dato' Wong Peng Chong be appointed to hold office as a director of the Company.

### Explanatory memorandum

Shareholders are referred to the explanatory memorandum accompanying and forming part of this notice of meeting.

### Entitlement to vote

It has been determined that under the Corporations Regulations 7.11.37, for the purposes of the annual general meeting, shares will be taken to be held by the persons who are the registered holders at 10.00am on 9 August 2006. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received at the Company's registered office:

First Floor, 7 Havelock Street  
West Perth WA 6005

OR by facsimile: +61 8 9485 2305

by no later than 10.00am on 9 August 2006.

### By Order of the Board

Dated: 28 June 2006



Angela Dent  
Company Secretary

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# Mount Gibson Iron Limited

ABN 87 008 670 817

## Explanatory memorandum to shareholders

This Explanatory Memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the forthcoming general meeting.

### Directors recommendations

Your directors recommend that you vote **AGAINST** resolution 1 for the following reasons:

- Mr Wong does not have the requisite Australian mining or corporate experience and therefore would not add any particular skills which the board requires in order to pursue the Company's strategy which is focused on its Australian operations.
- The reasons given by Sun Hung Kai for wanting to appoint Mr Wong suggest a fundamental misunderstanding by it of the duties and obligations of directors under Australian Corporations law. In particular, the directors do not consider the reasons of wanting to facilitate greater dialogue and obtain a direct insight into the management of the Company as valid reasons to appoint a director.
- The directors have previously declined to appoint Mr Wong as a director for the above reasons. The directors have subsequently received further correspondence from Sun Hung Kai which reinforces their concerns as to why Sun Hung Kai seeks the appointment of Mr Wong.

A further detailed explanation of these reasons is set out below.

#### 1 Reason for convening meeting

This general meeting has been convened by the directors following receipt of a request from Sun Hung Kai Investment Services Limited (**Sun Hung Kai**) on 12 June 2006 to call a general meeting of shareholders to consider the appointment of Mr Dato' Wong Peng Chong as a director of the Company.

The request was made by Sun Hung Kai under section 249D of the Corporations Act 2001 (**Act**), which requires the directors of a company to convene a meeting on request of a shareholder having at least 5% of the votes that may be cast at a general meeting. At the date of receipt of the request, Sun Hung Kai was the registered holder of greater than 5% of the ordinary voting shares in the Company.

The directors have also received a statement from Sun Hung Kai under section 249P of the Act (**Statement**) and have been requested to provide it to shareholders. A copy of the Statement is attached as Annexure A to this Explanatory Memorandum.

In the Statement, Sun Hung Kai has indicated that it holds 11% of the shares in the Company on behalf of two wholly owned subsidiaries of COL Capital Limited (**COL Capital**), and that COL Capital has instructed it to make the request under section 249D of the Act.

## 2 Reasons for directors' recommendations

(a) **THE DIRECTORS HAVE PREVIOUSLY DECLINED A REQUEST TO APPOINT MR WONG AS A DIRECTOR.**

The directors have previously considered a formal request by COL Capital to appoint Mr Wong to the board. The directors formed the view that Mr Wong does not have the requisite mining, operational or corporate experience in Australia to justify his addition to the existing board. The directors' recommend that shareholders should vote AGAINST resolution 1 for the same reasons they have previously declined to appoint Mr Wong as a director.

(b) **MR WONG DOES NOT HAVE THE REQUISITE AUSTRALIAN MINING OR CORPORATE EXPERIENCE.**

The directors refer shareholders to the Statement prepared by Sun Hung Kai which indicates that Mr Wong has a background in the Malaysian diplomatic corps and has more recently gained experience in the Malaysian and Hong Kong private sectors. There is nothing to suggest that he has any Australian mining or corporate experience.

The directors consider this critical as the Company's current strategy is to focus on its existing Australian hematite mining operations at Talling Peak and the proposed development of the Extension Hill hematite. Both hematite operations no longer require support from major shareholders to develop customers and markets in China.

As part of this strategy the Company recently announced that it has agreed to sell its entire interest, held via its shareholding in Asia Iron Holdings Limited, in the Extension Hill magnetite project. Following completion of the sale, the Company will have no overseas assets, and will continue to focus on its Australian mining operations. The Company therefore does not have the need to secure significant debt or equity funding from Hong Kong or any other Asian markets that it otherwise had before agreeing to sell its stake in the Extension Hill magnetite project.

The directors maintain that, on the information provided to them, the skills which Mr Wong has to offer are not skills required by a board of an Australian public listed company, with a strategy focussed on mining assets located in the mid-west of Western Australia, to justify his appointment to the board.

(c) **REASONS SUPPLIED BY SUN HUNG KAI DO NOT SUPPORT MR WONG'S APPOINTMENT.**

COL Capital's reasons for seeking the appointment of Mr Wong as a director, as set out in the Statement prepared by Sun Hung Kai, include:

- (1) "facilitating greater dialogue between the Company's largest shareholder and the board"; and
- (2) shareholders having an expectation that COL Capital, as the largest shareholder in the Company, has "a direct insight into the management of the Company".

The directors consider that these reasons reflect a fundamental misunderstanding on the part of COL Capital of the duties and obligations of

directors under Australian corporations law. Directors have a duty to act in the best interests of the shareholders as a whole and not only for and on behalf of the largest shareholder. Their role is not to act as a conduit for information flow to a major shareholder. In addition, as the directors owe a duty of confidence to the Company, they are not permitted to provide confidential information pertaining to the Company to a nominating shareholder unless such information is being made available to all shareholders.

The directors have always been and continue to be willing to communicate relevant information to all shareholders, including substantial shareholders, through the appropriate channels. It would, however, be entirely inappropriate for such communications to occur via a director providing information to the shareholder which has nominated him or her to the board.

Accordingly, each of your directors are of the view that the proposed appointment of Mr Wong as a director of the Company should be resisted and recommend that shareholders vote against resolution 1.

(d) **RECENT CORRESPONDENCE RECEIVED FROM SUN HUNG KAI**

Attached as annexure B to this Explanatory Memorandum is a copy of a letter from Sun Hung Kai to the board of directors dated 23 June 2006. The directors have replied to Sun Hung Kai by informing it that they:

- have observed, and will continue to observe, their legal and fiduciary obligations in respect of the Company and its shareholders;
- will continue to operate and manage the business of the Company in a manner which is in the best interests of the shareholders as a whole; and
- will not be directed as to the management of the Company by any one particular shareholder.

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**Annexure "A"**

**MOUNT GIBSON IRON LIMITED (the "Company")**

**STATEMENT PROVIDED UNDER SECTION 249P OF THE CORPORATIONS ACT 2001**

This statement is provided by Sun Hung Kai Investment Services Limited, the shareholder who requested the calling of the general meeting of the Company pursuant to section 249D of the Corporations Act 2001. Sun Hung Kai Investment Services Limited is the Company's largest shareholder, holding over 11% of the shares in the Company, as custodian for Honest Opportunity Limited and New Fortress Investments Limited, which are wholly-owned subsidiaries of the Hong Kong listed investment company, COL Capital Ltd (*COL Capital*). References to COL Capital in this statement are intended to be references to COL Capital in its capacity as ultimate controller of the more than 11% shares in the Company, which are formally held by Sun Hung Kai Investment Services Limited.

**WHY HAS A GENERAL MEETING BEEN CALLED?**

COL Capital is the Company's largest shareholder, controlling over 11% of the shares in the Company. COL Capital is an established and reputable investment company listed on the Hong Kong Stock Exchange, and a major international investor.

COL Capital has reluctantly called the general meeting to appoint Mr John Wong (known in formal terms as Dato' Wong Peng Chong) as a director of the Company, because it has been unable to convince the Board of Directors of the Company to do so using their own powers of appointment.

COL Capital has attempted for over 4 months in correspondence with the Board to procure the appointment of a director to the Board, as a means of facilitating greater dialogue between the Company's largest shareholder and the Board. COL Capital believes that it is imperative that the relationship between it and the Company be constructive and co-operative, not least because COL Capital appreciates that a very large number of shareholders have to date been encouraged and comforted by the largest shareholder's harmonious involvement with the Company and the expectation that COL Capital has a direct insight into the management of the Company.

Mr John Wong is an experienced and competent candidate for the Board of the Company. Mr John Wong was appointed as executive director of the COL Capital on 15 March 2002, and has served COL Capital in an exemplary fashion since then. His background is in the Diplomatic Corps, following his graduation from the University of Malaya in 1967 with a Bachelor of Arts (Honours), he joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. Mr John Wong joined the private sector in 1985 and had served in various senior management positions in Hong Kong and Malaysia. Mr John Wong would be an outstanding addition to the Board of the Company.

I commend to you the appointment of Mr John Wong to the Company's Board of Directors, and urge you to vote in favour of his appointment at the general meeting. Should you have any questions in relation to the proposal, please call Ms Connie Cheung on (852) 2822-5432.

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## HOW TO VOTE

COL Capital recommends that you **VOTE IN FAVOUR OF THE RESOLUTION** set out in the Notice of Meeting to appoint Mr John Wong as a director of the Company.

If you would like to nominate COL Capital's representative and the registered shareholder, Sun Hung Kai Investment Services Limited, to act as your proxy for voting at the general meeting please insert the name "**Sun Hung Kai Investment Services Limited**" on the proxy form included with the notice of meeting. In line with our recommendation, you should direct Sun Hung Kai Investment Services Limited as your proxy to **VOTE IN FAVOUR OF THE RESOLUTION** to appoint Mr John Wong as a director of the Company.

**Signed on behalf of Sun Hung Kai Investment Services Limited**  
(as custodian for Accounts of Honest Opportunity Limited and  
New Fortress Investments Limited).



Chau Chin Hung  
Executive Director

## Annexure "B"



SUN HUNG KAI  
INVESTMENT SERVICES LIMITED

Level 12, One Pacific Place,  
88 Queensway, Hong Kong

Telephone : (852) 2822 5678  
Fax : (852) 2822 5664  
Website : <http://www.SHKco.com>

新鴻基投資服務有限公司

23<sup>rd</sup> June 2006

The Board of Directors  
Mount Gibson Iron Limited  
Level 1, 7 Havelock Street  
West Perth WA 6005  
AUSTRALIA

By Courier and By Fax 61-8-9485-2306

Dear Directors

**General Meeting of Mount Gibson Iron Limited ("MGI")**

We refer to our letter of Friday 9 June 2006 (which you received on Monday 12 June 2006) requesting that you convene a general meeting of MGI shareholders to consider a resolution to appoint Dato' Wong Peng Chong to hold office as a Director of MGI.

As you know, you have a statutory obligation to convene this meeting within 21 days after receipt of our letter. This means that, by no later than Monday 3 July 2006, you will need to have passed a Board resolution to convene the general meeting and mailed or otherwise delivered the notice of meeting to MGI shareholders, together with the section 249P statement included in our letter.

Should you fail to meet this deadline, we are entitled to ourselves call and arrange to hold the general meeting, and MGI will be required to pay our reasonable expenses. MGI may recover those expenses from each of you individually.

Each of you has a continuing obligation to act in accordance with his legal and fiduciary obligations, including in relation to:

- the calling and holding of the general meeting; and
- any proposed acquisitions or disposals of MGI assets.

In particular, we remind each of you of your *individual* obligation to act in good faith in the best interests of all MGI shareholders. It goes without saying that this obligation overrides your personal interests.

As the largest shareholder, we will continue to keep a close "watching brief" on the activities of MGI. We expect that, until the general meeting is held, MGI will be operated only in the ordinary course and that you will consult with us should the case be otherwise.

Signed by Sun Hung Kai Investment Services Limited (as custodian for Accounts of Honest Opportunity Limited and New Fortress Investments Limited):

Executive Director

Fong Tsun Kuen, Jimmy

Print Name

Director

Ng Yuk Ip, Ada

Print Name