



Mount Gibson Iron Limited

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5 May 2005

No. Pages = 3

The Manager
Company Announcements
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

SUBJECT: MOUNT GIBSON IRON FARMS INTO EXTENSIVE PILBARA EXPLORATION AREAS

Mount Gibson Iron Limited (ASX Code "MGX") advises that it has entered into a farm-in arrangement with Poondano Exploration Pty Ltd ("Poondano") to earn a 60% interest in Poondano's 2,730km² of exploration areas in the Pilbara region of Western Australia.

The privately owned exploration company's areas are prospective for major buried pisolite iron deposits similar to those being mined at Yandi by BHP Billiton, and at both Yandicoogina and Pannawonica by Rio Tinto.

Poondano's prospects were generated using geological and stratigraphical theories which assist in identifying these deposits when they are buried and undetectable by most remote sensing methods. All of the prospects are located within close proximity to existing and planned infrastructure.

Mount Gibson Iron will earn a 60% shareholding in Poondano by spending \$1.4 million on an exploration program over the next eighteen months. Relatively inexpensive wide spaced drilling of the shallow deposits will commence in June 2005 and be carried out over the next two winter periods.

The five prospects (refer attached map) are currently rated in the following order for commercial potential and therefore drilling priority:

PROSPECT	AREA KM²	LOCATION
South Fortescue	1,040	Adjacent to Hamersley Iron railway and centrally between Marandoo, Tom Price and Mt Brockman mines
Margaret Well	330	Adjacent to BHP-Billiton railway and 30 km from Mt Whaleback mine.
Wonmunna	200	20 km from Hamersley Iron's railway and centrally between West Angelas mine and proposed Hope Downs mine.
Resolution Well	965	70 km from proposed Hope Downs mine and railway
Bukardi Well	195	70 km from proposed Hope Downs mine and railway

The majority of drilling in the current program (2,400 m) will be focused on the South Fortescue, Margaret Well and Wonnmunna prospects.

Poondano's Managing Director and founding shareholder, Mr Peter Schwann, is an experienced iron ore geologist, as is Mr Bill Willis, another founding shareholder and director, and Chairman of Mount Gibson Iron Limited. In compliance with Mount Gibson Iron's corporate governance practices, Mr Willis absented himself from all directors' meetings at which the farm-in with Poondano was discussed.

Mr Brian Johnson, Managing Director of Mount Gibson Iron, said that he was hopeful that commercial pisolite iron deposits would be identified which could be developed in association with existing infrastructure owners.

Mount Gibson Iron's aim is to look for continuity of production of direct shipping grade iron ore beyond the 11 years expected from the current Talling Peak operation (6 years) and the subsequent Mt Gibson operation (5 years).

In any event, the Company's focus on manufacturing iron pellets in China based on feed from the Group's extensive magnetite deposits in the Mid West region of Western Australia is expected to yield strong long term earnings commencing early 2007.

Yours sincerely,
MOUNT GIBSON IRON LIMITED



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Company Secretary

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