



Mount Gibson Iron Limited

ABN 87 008 670 817



First Floor, 7 Havelock Street
West Perth 6005, Western Australia

PO Box 55, West Perth WA 6872

Telephone: 61-8-9426-7500

Facsimile: 61-8-9485 2305

E-mail: admin@mtgibsoniron.com.au

VIA: WWW.ASX.ONLINE.COM

22 February 2006

Pages = 2

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

SUBJECT: PROGRESS ON EXTENSION HILL MAGNETITE PROJECT

Mount Gibson Iron Limited's (ASX Code "MGX") 72% owned subsidiary, Asia Iron Holdings Limited ("AIHL"), has completed a feasibility study for the production of 5Mtpa of magnetite concentrate from a proposed mine at Extension Hill, Mt Gibson, in the MidWest region of Western Australia.

The results will be presented formally to the Boards of MGI and AIHL, and representatives of the Shougang Group, next week.

After this presentation a joint working committee will be formed with Shougang to review prospective savings in capital costs and methods of project implementation, and to commence negotiations with project financiers.

The feasibility study has estimated the capital costs at A\$715 million for the mine, crusher, concentrator, site infrastructure and slurry pipeline. These estimates include contingencies but exclude working capital and capitalised interest.

The feasibility study has estimated the operating costs at U\$28/tonne of concentrate FOB Geraldton.

AIHL and Shougang, the two potential participants in the development and operation of the Extension Hill mine, concentrator and associated slurry pipeline transport system to the Port of Geraldton, must commit in-principle to participation in the project by 30 April 2006.

AIHL's wholly owned Chinese subsidiary, Asia Iron (Nanjing) Co Ltd, is progressing with the planning of a 2.5Mtpa pellet plant to be constructed at the port of Longtan on the Yangtze River near Nanjing.

All planning and environmental approvals have been received and detailed engineering is expected to be completed within two months.

Negotiations with the Beijing Shougang Design Institute to construct the pellet plant on a fixed price turnkey basis are progressing satisfactorily.

