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The Manager
Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Koolan Island Western Iron Ore Targets

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to announce that it has reached in principle agreement with the Dambimangari Native Title Group (**Dambimangari**) for exploration of the western iron ore targets at Koolan Island, subject to Mount Gibson and the Dambimangari entering into a Heritage Protection and Exploration Agreement.

Koolan Island is host to one of the highest quality iron ore deposits in the world and the western region of the Island is largely unexplored. The western area has, to date, never been drilled. Strongly developed hematite bearing ridges are known to occur through the area, including some spectacular coastal outcrops. The hematite ridges occur over a length of at least 3.5 kilometers and appear to represent the fault offset extensions and structural extensions of both Main and Mullet-Acacia ore-bodies.

Mount Gibson's Managing Director, Luke Tonkin said "The exploration potential of the western end of Koolan Island appears extensive. The medium term operational outlook for Mount Gibson has the potential to improve significantly, particularly if exploration of the western iron ore targets on Koolan Island is successful in defining quality, near surface hematite iron ore which could be blended with existing satellite ore sources."

In announcing the in principle approval, Mr Tonkin paid tribute to the company's ongoing cooperative relationship with the Dambimangari; "Since acquiring Aztec Resources in February 2007, Mount Gibson has fully embraced the Dambimangari Koolan Island Co-Existence Deed which provides the foundation of mutual benefit for the traditional owners and Mount Gibson. The Dambimangari people have developed a close working relationship with Mount Gibson and the in principle approval to explore the western iron ore targets on Koolan Island is a tremendous example of the core principles and spirit of the Co-Existence Deed at work," Mr Tonkin said.

Once Mount Gibson and the Dambimangari enter into a Heritage Protection and Exploration Agreement, a number of statutory and regulatory approvals, which are scheduled to take 4 to 6 months, will be required prior to accessing the area for exploration.

Yours sincerely,

MOUNT GIBSON IRON LIMITED

Luke Tonkin
Managing Director

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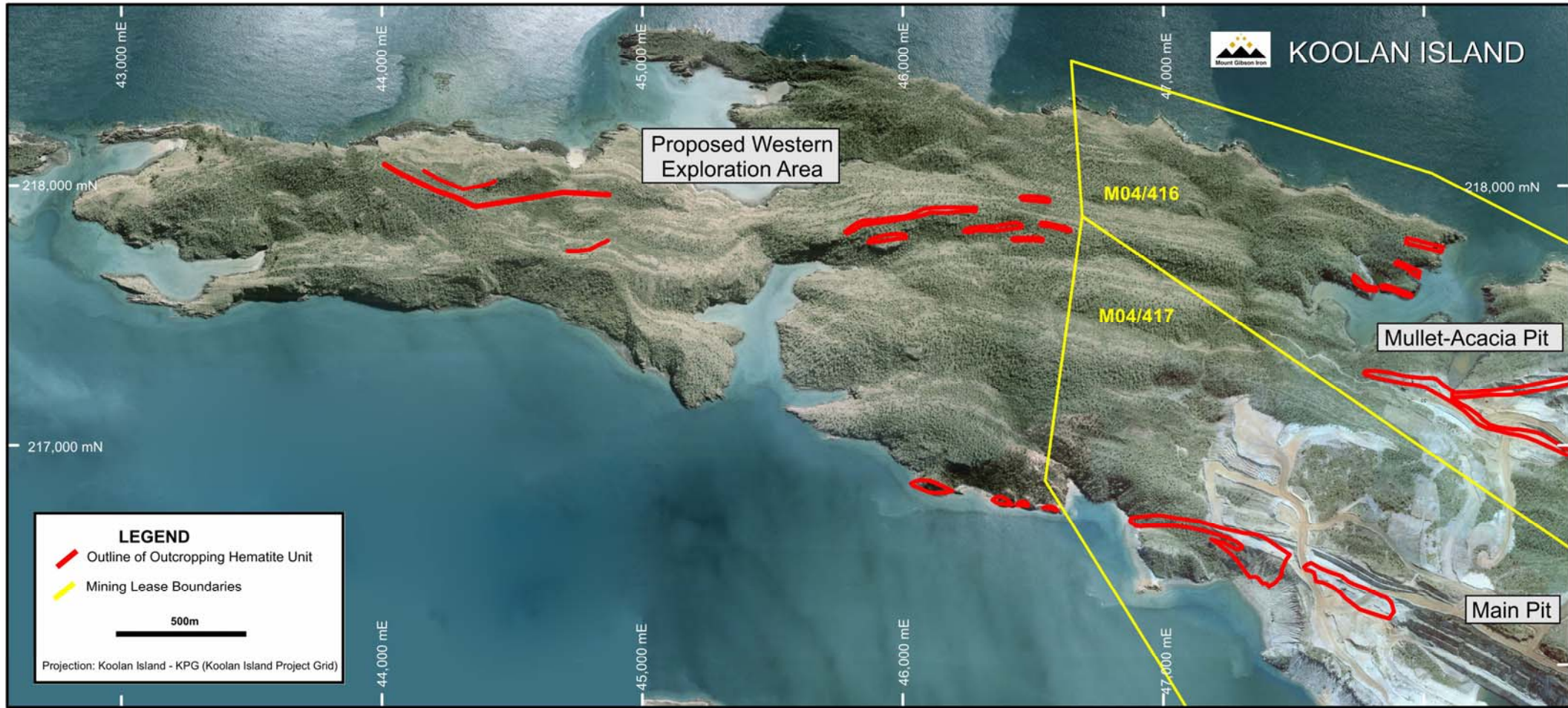


Figure 1 – Photographic image of the Koolan Island Western Iron Ore Targets which represent the fault offset extensions and structural extensions of both Main and Mullet-Acacia ore-bodies