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MOUNT GIBSON IRON REVISES TERMS OF PROPOSED JOINT VENTURE WITH SHOUGANG GROUP

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited (ASX Code "MGX") advises that negotiations with the Shougang Group to jointly develop the Extension Hill Magnetite Project at Mt Gibson are progressing satisfactorily.

The Participation Agreement with Shougang has been revised to incorporate the following:

 agreement by Shougang that it intends to take up a 50% shareholding in the slurry pipeline to be constructed between Mt Gibson and Geraldton in addition to a 50% interest in the mine development. The revised equity contributions including that for the pipeline are as follows:

Shougang Group: A\$174 million

MGI Group: A\$74 million plus past costs, BFS, and mining leases

- agreement by Shougang that it is basically satisfied in relation to its technical due diligence review of the project;
- extension of time for completion of the Bankable Feasibility Study ("BFS") to 15 December 2005 to allow China Metallurgical Construction Corporation ("MCC") to submit an offer for the turnkey construction of the crushing plant and concentrator for the project;
- joint reviews of the BFS to be conducted in mid October and mid November 2005 before its finalisation in December 2005;
- elimination of any specific financial or technical outcomes in the BFS as a prerequisite to Shougang's investment;
- repricing of Shougang's (or its nominee) option to subscribe for up to 15% of MGX's issued shares (approximately 60 million shares) at a fixed price of 75 cents per share (conditional upon Shougang taking up a 50% interest in the project); and
- Shougang having the right to complete the contemplated transactions at any time up to 31 January 2006.

Mr Johnson said that the two month delay to completion of the BFS should not impact on the development schedule for the Project as engineering design was being progressed on most long-lead items and mine prestripping at Extension Hill was still scheduled to commence in the second quarter of 2006.

He also said that he was confident Shougang would give final notice of their unconditional commitment to participate in the project, earlier rather than later.

Joint negotiations with project financiers will commence next month.

Shougang should be an ideal partner for Mount Gibson Iron as they have extensive experience in mining and concentrating magnetite ores at their major mines in China and Peru, and are providing constructive input to the BFS.

Yours sincerely, MOUNT GIBSON IRON LIMITED

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