



Mount Gibson Iron Limited

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22 December 2005

No. Pages = 2

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

SUBJECT: MOUNT GIBSON IRON UPDATE

Tallering Peak Operations

Mount Gibson Iron Limited ("Mount Gibson") released an upgrade of the Tallering Peak ore reserve on 4th August 2005. Detailed mine schedules to exploit the current ore reserve have recently been completed which indicate that development rates at Tallering Peak will need to be increased to sustain 3 Mtpa of ore production through to the end of mine life.

An increased rate of development stripping will commence in January 2006 following the mobilisation of additional hired mining equipment which will give the operation the capacity to load and haul 26 Mtpa of ore and waste annually over the next two years. Increased stripping in the first half of 2006 will impact cash flow with sustainable ore production of 3 Mtpa being achieved in the second half of 2006 rather than the first half due to:

- Delay in delivery of 34 rail wagons from December 2005 to late April 2006;
- Installation and commissioning of a crushing and screening plant with capacity of 3 Mtpa scheduled for late April 2006; and
- Increased development stripping from January 2006 restricting access to ore in the first half of 2006.

It is anticipated that hematite ore sales for the year ending 30 June 2006 will be approximately 2.1 million tonnes.

Profit Forecast

Mount Gibson previously advised ASX that it anticipates a profit after tax of \$50 million for the year ending 30 June 2006. The first half's profit should be in the order of \$21 million however this will reduce to approximately \$16 million in the second half due to higher operating costs at Tallering Peak. Mount Gibson's revised expected profit of \$37 million after tax for the year ending 30 June 2006 does not include any impact resulting from the implementation of the new International Financial Reporting Standards and assumes no increase in iron ore prices.

Extension Hill Magnetite Project

The feasibility study for the Extension Hill Magnetite Project is scheduled for completion at the end of January 2006. The study will not be to a bankable level and further capital cost optimisation will continue.

The Shougang Group, which is Mount Gibson's proposed partner in the development of the Extension Hill mine, will have until mid March 2006 to undertake their review of the feasibility study and exercise their option to participate in the project.

The delay to the feasibility can be attributed to limited access to scarce technical and professional resources and an endeavour to contain cost increases on capital works due to the current resources boom in Western Australia.

Current operating cost estimates from the feasibility study are in line with earlier estimates.

Yours sincerely

MOUNT GIBSON IRON LIMITED

A handwritten signature in black ink, appearing to read 'L. Tonkin', with a stylized flourish at the end.

Luke Tonkin
MANAGING DIRECTOR

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