



Mount Gibson Iron Limited

ABN 87 008 670 817



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QUARTERLY REPORT FOR THE PERIOD ENDING 31 March 2005

HIGHLIGHTS

Tallering Peak Iron (Hematite) Mine

- Production rate increased to 2.0 Mtpa rate for the quarter.
- Quarterly shipments total 509,000 tonnes.
- Cash receipts from sales and debtors for the quarter \$18.0 million.
- Rail wagons ordered to increase production to 3.0Mtpa from January 2006.
- 71.5% price increase for lump and fines ore from 1 April 2005.

Extension Hill (Mt Gibson) Magnetite

- Mount Gibson Iron Limited increased shareholding in Asia Iron Holdings Limited to 63%.
- Asia Iron Holdings Limited negotiating with Nanjing Iron and Steel Group to jointly develop mine at Extension Hill and two 2.5Mtpa pellet plants at Longtan near Nanjing.
- Initial financial projections for Asia Iron Holdings Limited indicate a net profit after tax return to Mount Gibson Iron Limited of \$56.2 million average over the 20 year life of the pellet project.

Corporate

- \$29.5 million cash raised (before costs and expenses) from two equity placements.
- Increased investment in Resource Mining Corporation Limited to 6.6%
- \$1.925 of Convertible Note liability converted to equity.
- \$30.2 million cash on hand at end of the quarter.

HEMATITE PROJECTS**TALLERING PEAK OPERATIONS**

Mining operations at Talling Peak produced 549,000 tonnes (Dec Qtr: 470,000 tonnes) of iron ore for the quarter which is in excess of the budgeted production rate of 2.0 Mtpa for the first quarter of the calendar year.

The Company shipped 509,000 tonnes of iron ore during the quarter and received cash proceeds of \$18.0 million. To achieve this shipping schedule, Mount Gibson Iron was required to incur additional trucking and handling expenses (above normal raiing costs).

To ensure that production can increase to 3.0Mtpa by January 2006, Mount Gibson Iron has negotiated the purchase of 34 new 49 tonne capacity rail wagons from China. The wagons are scheduled to be delivered to the Port of Geraldton in November/December 2005. The \$3.5 million wagon purchase is likely to be financed by a two-year unsecured Shareholder's loan.

As prices in the Mount Gibson Iron off-take agreements are based on the published Hamersley lump iron ore and iron ore fines prices, the Company has benefited from the 71.5% price increase recently negotiated by Rio Tinto. This increase will apply to all sales from 1 April 2005 and will increase the price of lump iron ore to US\$78.77/dmt and iron ore fines to US\$61.72/dmt (approximately A\$100.99/dmt and A\$79.13/dmt respectively based on a US\$0.78 exchange rate).

TALLERING PEAK PRODUCTION STATISTICS

| | MAR QTR 2005 | YTD 2004/05 |
|--|---------------------|--------------------|
| Mining | | |
| Waste Mined (bcm) | 936,000 | 2,986,000 |
| Ore Mined (wmt) | 549,000 | 1,455,000 |
| Crushing (wmt) | | |
| Lump | 296,000 | 860,000 |
| Fines | 157,000 | 505,000 |
| Total | 453,000 | 1,365,000 |
| Transport to Mullewa Railhead (wmt) | | |
| Lump | 247,000 | 789,000 |
| Fines | 102,000 | 408,000 |
| Total | 349,000 | 1,197,000 |

+ See chapter 19 ASX Listing Rules for defined terms.

| | MAR QTR 2005 | YTD 2004/05 |
|--|--------------|-------------|
| Transport to Geraldton Port (wmt) | | |
| Lump | 343,000 | 846,000 |
| Fines | 135,000 | 510,000 |
| Total | 478,000 | 1,356,000 |
| Shipping (wmt) | | |
| Lump | 379,000 | 892,000 |
| Fines | 130,000 | 553,000 |
| Total | 509,000 | 1,445,000 |

MAGNETITE PROJECTS

ASIA IRON HOLDINGS LIMITED

During the quarter, Mount Gibson Iron completed the purchase of 54% of the issued capital of Asia Iron Holdings Limited ("Asia Iron") by transferring its 54% holding in Extension Hill Pty Ltd to Asia Iron.

Mount Gibson Iron increased its holding to 63% by the purchase of additional shares in Asia Iron. These share purchases have been funded by \$1.5 million in cash and the issue of 4.95 million Mount Gibson Iron Limited shares. The Company will subscribe an additional \$50 million for shares in December 2005 (provided the project remains on schedule) which will increase its holding to 75%. The remaining 25% of Asia Iron will be held by founding Directors and their associates.

In March 2005, Mount Gibson Iron announced that the Company is confident that subject to approvals being in place, development of Asia Iron's 5.0Mtpa pellet project in Nanjing would proceed before the end of 2005 and be commissioned in early 2007. The current bankable feasibility study is scheduled for completion at the end of August 2005.

Asia Iron is negotiating with the Nanjing Iron and Steel Group to undertake the development of a mine at Extension Hill and two 2.5Mtpa pellet plants in China in a 50:50 joint venture.

Preliminary financial analysis of the project, which has been prepared internally by Asia Iron based on primary inputs from independent consultants engaged in the preparation of the current bankable feasibility study, indicate that Mount Gibson Iron's share of annual operating profit after tax (over the 20 year life of operations) is A\$56.2 million. The annual ROI over the 20 year life of operations, based on the above share of operating profits after tax is 82.6%.

The financial model for the project is based on a 78 cents exchange rate to the US\$ and is extremely robust considering the contracted sales price for blast furnace pellets delivered to stockpile in Nanjing is US\$95 per tonne. The current price for pellets delivered to the same location from Brazil is over US\$120 per tonne with spot prices being much higher.

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It is expected that strong early cash flows from the project will result in a pay back of total funds invested, including borrowings, in less than four years.

Mount Gibson Iron has also established the fee for managing the Extension Hill magnetite mine on behalf of Asia Iron and its partner, at A\$3.50 per tonne of concentrate produced which will be indexed to CPI and should commence early 2007 (\$17.5 million per year at 5.0Mtpa production).

With the project management team and commercial arrangements for the joint venture basically in place, Asia Iron is now focusing on transport options for the magnetite concentrate from Mt Gibson to Geraldton, and the necessary improvements to port infrastructure.

EXPLORATION

Exploration expenditure of \$1,933,146 was incurred on the further evaluation and exploration of the Mt Gibson magnetite and hematite deposits. The majority of this expenditure (\$1,832,372) was incurred on conducting the feasibility study for Asia Iron Holding Limited.

CORPORATE

PLACEMENT OF SHARES

In February and March, Mount Gibson Iron arranged two placements of shares to sophisticated/professional investors and institutional clients of SHAW Stockbroking. The first was for 22,727,272 shares at an issue price of \$0.55 per share and the second was for 20,000,000 shares at an issue price of \$0.85 per share. In total, the placements raised \$29.5 million before costs and expenses

EXERCISE OF OPTIONS

During the quarter, 1,452,388 options were exercised which realised \$234,000 of cash for the Company.

CONVERTIBLE NOTES

During the quarter, 6,416,667 convertible notes were converted to ordinary shares. This reduced Mount Gibson Iron's Convertible Note liability by \$1,925,000 to \$450,000.

RESOURCE MINING CORPORATION LIMITED

During the quarter, Mount Gibson Iron purchased an additional 5.5 million shares at an average price of \$0.12 in Resource Mining Corporation Limited ("RMC"). This investment increased the Company's holding to 6.6% of RMC's issued capital.

RMC proposes to develop the Argyle iron ore deposit in the Kimberley region of Western Australia. RMC is seeking to prove sufficient reserves with respect to tonnage and grade to sustain an annual production and shipping rate of 1.5 to 2.0 Mtpa.

RMC is currently trading at \$0.093, which values Mount Gibson Iron's investment at \$1.4 million, a gain of \$346,000.

+ See chapter 19 ASX Listing Rules for defined terms.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Mount Gibson Iron Limited

ABN

87 008 670 817

Quarter ended ("current quarter")

31 March 2005

Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|--|----------------------------|---------------------------------------|
| 1.1 | Receipts from product sales and related debtors | 17,965 | 50,405 |
| 1.2 | Payments for (a) exploration and evaluation | (1,322) | (2,781) |
| | (b) development | - | (110) |
| | (c) production | (8,648) | (23,955) |
| | (d) administration | (356) | (870) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 68 | 89 |
| 1.5 | Interest and other costs of finance paid | | |
| | - hire purchase & finance lease | (194) | (597) |
| | - borrowings | (153) | (506) |
| | - other | (68) | (246) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (inventory) | - | - |
| | Net Operating Cash Flows | 7,292 | 21,429 |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | | |
| | (a)prospects | - | - |
| | (b)equity investments | (2,162) | (2,662) |
| | (c) other fixed assets | (178) | (400) |
| 1.9 | Proceeds from sale of: | | |
| | (a)prospects | - | - |
| | (b)equity investments | - | - |
| | (c)other fixed assets | - | 45 |
| 1.10 | Loans to other entities | (60) | (60) |
| 1.11 | Loans repaid by other entities | (400) | - |
| 1.12 | Other - payment for capitalised exploration | - | - |
| | - payment for capitalised waste | (6,520) | (16,038) |
| | Net investing cash flows | (9,320) | (19,115) |
| 1.13 | Total operating and investing cash flows (carried forward) | (2,028) | 2,314 |

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| | | | |
|------|--|---------|----------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,028) | 2,314 |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 29,737 | 34,597 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings – stockpile finance | 1,033 | 14,096 |
| 1.17 | Repayment of borrowings | | |
| | - hire purchase & finance lease | (464) | (1,390) |
| | - shareholder advance | (1,724) | (3,879) |
| | - stockpile finance | (2,958) | (15,112) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (Capital raising costs) | (960) | (1,010) |
| | Other (Redemption – Convertible Notes) | | - |
| | Net financing cash flows | 24,664 | 27,302 |
| | Net increase (decrease) in cash held | 22,636 | 29,616 |
| 1.20 | Cash at beginning of quarter/year to date | 7,591 | 611 |
| 1.21 | Exchange rate adjustments to item 1.20 | | - |
| 1.22 | Cash at end of quarter | 30,227 | 30,227 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 133 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Included in “Proceeds from Borrowings” and “Repayment of Borrowings” is the drawdown and repayment of stockpile financing with HSBC Bank Australia Ltd. The stockpile financing facility is used by the Company to maintain its working capital which would otherwise fluctuate due to the irregular timing of receipts from shipments. Drawdowns of stockpile financing are based on existing stocks at a point in time which are then repaid when proceeds are received from the ship that received those stocks, therefore, the nature of the funding is very short-term. During the March quarter, A\$1.03 million was borrowed under this facility with A\$2.95 million being repaid. This was based on 1 drawdown and 3 repayments with an average value of A\$0.98 million per repayment.

Also included in “Repayment of Borrowings” is part repayment of the US\$6 million advance by Stemcor (S.E.A.) Pte Ltd for ore sales. This advance will be fully repaid by July 2005.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the current quarter, the following non-cash transactions occurred:

- Plant totalling \$1,561,588 was purchased under Hire Purchase arrangements.
- Convertible note holders converted 6,416,667 notes at \$0.30 each, which reduced the convertible note liability by \$1.925 million to \$450,000.
- The Company purchased 9 million shares in Asia Iron Holdings Limited by issuing 4.95 million shares in Mount Gibson Iron Limited.

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

| |
|-----|
| Nil |
|-----|

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|--|-----------------------------|------------------------|
| 3.1 Loan facilities - hire purchase and finance lease - shareholder advance | 10,601 2,212 | 10,601 2,212 |
| 3.2 Credit standby arrangements | 5,000 | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 584 |
| 4.2 Development | - |
| Total | 584 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 30,227 | 7,591 |
| 5.2 Deposits | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (funds held in trust) | - | - |
| Total: cash at end of quarter (item 1.22) | 30,227 | 7,591 |

Changes in interests in mining tenements

| Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|-------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | N/A | | |
| 6.2 Interests in mining tenements acquired or increased | N/A | | |

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Issued and quoted securities at end of current quarter*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---|---------------|---|--|
| 7.1 Preference + securities <i>(description)</i> | - | - | - | - |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 +Ordinary securities | 366,806,593 | 366,806,593 | - | - |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 55,546,327 | 55,546,327 | - | - |
| 7.5 +Convertible debt securities <i>(description)</i> | Convertible @ 30 cents 6 monthly to 30/6/05 Interest @ 10% pa 6 monthly in arrears Total on issue 1,500,000 | - | - | - |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | - 6,416,667 | - - | | |
| 7.7 Options <i>(description and conversion factor)</i> | 30,736,500 | 30,736,500 | <i>Exercise price</i> 22.00 cents | <i>Expiry date</i> 15/10/05 |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | 63,500 1,388,888 | 63,500 | 22.00 cents 15.84 cents | 15/10/05 28/02/06 |
| 7.10 Expired during quarter | - | - | - | - |
| 7.11 Debentures <i>(totals only)</i> | - | - | - | - |
| 7.12 Unsecured notes <i>(totals only)</i> | - | - | - | - |

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

Date: 29 April 2005

(~~Director~~/Company Secretary)

Print name: John Arbuckle

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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