



Mount Gibson Iron Limited

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

**SUBJECT: MOUNT GIBSON IRON REVISES FORECAST FOR 2005 – 06 FOLLOWING
INCREASED RAILWAY CAPACITY**

Mount Gibson Iron Limited (ASX Code "MGX") advises that it has negotiated the purchase of 34 new 49 tonne capacity rail wagons from China, for its Tallering Peak hematite operations.

The wagons are scheduled to be delivered to the Port of Geraldton in November/December 2005 in order for the Company to increase production from 2.0Mtpa to 3.0Mtpa from 1 January 2006.

Subject to the wagon deliveries being on schedule, the Company expects to make an operating profit in 2005 – 06 of approximately \$72 million and a net profit of approximately \$50 million after tax at the rate of 26%, based on an exchange rate of 78 cents to the US\$.

In 2006 – 07, at 3.0Mtpa production for the full year, net profit should exceed \$59 million at the full 30% tax rate, assuming a constant iron ore price and an exchange rate of 78 cents.

The \$3.5 million wagon purchase is likely to be financed by a two-year unsecured Shareholder's loan, so as to preserve funds for subsidiary Asia Iron Holdings Limited's iron pellet project in China, which is due to commence construction late this year.

Yours sincerely,
MOUNT GIBSON IRON LIMITED

John Arbuckle
Company Secretary

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