



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 INCREASES SHAREHOLDING IN ASIA IRON HOLDINGS LIMITED

Mount Gibson Iron Limited (MGX) advises it has purchased a total of 9.0 million shares in Asia Iron Holdings Limited ("AIHL") from two of AIHL's founding shareholders for \$2.475 million.

The purchase price will be satisfied by the issue of a total of 4.95 million shares at 50 cents each to the vendors.

The acquisition will increase the Company's shareholding in AIHL from 54% to 61%, on completion of the commercial arrangements announced to the ASX on 24 January 2005.

AIHL is well advanced in its planning to develop a mine at Extension Hill (Mt Gibson) in Western Australia to produce 5.0Mtpa of magnetite concentrate.

The concentrate will be used as feed for two 2.5Mtpa pellet plants to be constructed at Longtan near Nanjing, China.

Both the mine and pellet plants will be developed in a 50:50 joint venture between AIHL and the Nanjing Iron & Steel Group.

Mount Gibson Iron Limited will manage the development and operations of the Extension Hill mine and be reimbursed any costs incurred and be paid an indexed management fee for the twenty year mine life.

The mine is expected to be commissioned in December 2006.

Financial projections for AIHL's proposed operations will be released around August 2005 following completion of the current bankable feasibility study

Yours sincerely
MOUNT GIBSON IRON LIMITED

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Company Secretary

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