



# 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 PRODUCES STRONG PROFITS FROM ITS FIRST FULL YEAR OF OPERATIONS AT TALLERING PEAK**

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited (ASX Code: "MGX"), today announced the Company's first full year of profits from its iron ore operations at Talling Peak, for the year ended 30 June 2005.

Iron Ore Sales	1.84 million tonnes
Income	\$77.4 million
Operating Profit	\$28.9 million
Net Profit before Tax	\$23.6 million
<b>Net Profit after Tax</b>	<b>\$23.6 million</b>

The above consolidated results are unaudited.

The benefit of the substantial price rise for iron ore on 1 April 2005 is reflected in operating profit of \$12.7 million from the Talling Peak operations for the last quarter, on ore sales of 415,000 tonnes (approximately \$30 per tonne).

The Company expects to sell 2.5Mt of hematite ore in 2005 – 06, and 3.0Mt in 2006 – 07 from its Talling Peak operation, through to at least December 2011.

With improving rail operating efficiency and a recent commitment by the track network owner to upgrade the track to cope with planned tonnages, commencement of mining of hematite at the Group's second mine at Mt Gibson will be brought forward to the first quarter of 2007.

Initial production at Mt Gibson will be at 1.5Mtpa taking total production to 4.5Mtpa within eighteen months.

Mr Johnson said the he was confident iron ore prices would stabilise around current levels with further concentration of ownership of resources within the three major producers, and the virtual elimination of volatile spot trading through recent regulatory actions by the Chinese Government.

Mount Gibson Iron is continuing to develop its marketing strategy to establish long term relations with financially sound mid-tier steel mills in China, and its immediate focus will be on further hematite exploration at Talling Peak and Mt Gibson, and at two promising prospects at Koolanooka South and Walebing.

The Company's objective is to establish sufficient resources in the MidWest region to maintain 4.5Mtpa of hematite sales for at least ten years, from early 2007.

To support this level of export, a second ore storage shed will be constructed at the port over the next six to nine months.

The Geraldton Port Authority is expected to continue to make constructive moves to reduce congestion at their bulk cargo berth to minimise shipping delays and associated demurrage charges.

Mr Johnson said that the Company's hematite operations are expected to settle into a pattern of reasonable predictability of production and profits.

The strong cash flow being generated will allow the Group to move with confidence to its next phase of development, being the establishment of the 5.0Mtpa Extension Hill magnetite mine with Chinese partners, and the production of 2.5Mtpa of iron pellets in China in its own right.

The quarterly report to 30 June 2005 will be released on 29 July 2005.

Yours sincerely,  
MOUNT GIBSON IRON LIMITED



**Angela Dent**  
**Company Secretary**

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