



Mount Gibson Iron Limited

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SYDNEY NSW 2000

MOUNT GIBSON SIGNS ORE OFF-TAKE AGREEMENT WITH CHINESE STEEL MILL

Mount Gibson Iron Limited ("**Mount Gibson**") is pleased to announce that it has entered into an agreement for the sale of the remaining annual iron ore production from its Koolan Island operation and Tallering Peak operation with major Chinese steel producer, Rizhao Steel Holding Group Co. Ltd ("**Rizhao**").

Rizhao will purchase up to 1.5 Mtpa of iron ore, equivalent to 37.5% of Koolan Island's iron ore production at 4 Mtpa production rates. CITIC Australia Commodity Trading Pty Ltd and Marubeni Corporation have existing iron ore sales contracts for 2.5 Mtpa.

Mount Gibson has been supplying iron ore to Rizhao, whose modern steel making facilities are located close to two bulk seaports in the municipality of Rizhao of the eastern Chinese province of Shandong, since the second half of 2006 on short term contracts.

Rizhao has also contracted to purchase up to 900,000 tpa of iron ore from Tallering Peak, equivalent to 30% of Tallering Peak's annualised production rate of 3 Mtpa.

Koolan Island's ore sales contract with Rizhao is for the life of mine or 15 years whichever is the lesser whilst Tallering Peak's ore sales contract is for the life of mine. Ore sales prices are based on Hamersley benchmark prices.

In announcing the iron ore sales contract, Mount Gibson's Managing Director, Mr Luke Tonkin commented on the strengthening relationship with Rizhao.

"Rizhao and Mount Gibson have been very pleased with the performance of our short term contracts since second half of 2006. Given Rizhao's growing iron ore demand and Mount Gibson's growing production base, combined with Rizhao's strategic coastal location, the mutual benefits of our strengthening relationship has been formalised," he said.

Rizhao Chairman Mr Du Shuanghua said that Rizhao was delighted with the signing of long term sales agreements with Mount Gibson.

"Rizhao's rapid iron production growth has resulted in strong demand for raw materials including iron ore. Rizhao has several long term iron ore contracts with major global suppliers and we are delighted that Mount Gibson has agreed to reinforce our relationship by providing secure long term iron ore supply. Signing this sales contract with Mount Gibson for significant annual tonnage is an important step in executing Rizhao's long term iron ore purchasing strategy," he said.

Mount Gibson is also pleased to announce that the remaining \$12.5 million of the \$52.5 million sale of Mount Gibson's share in Asia Iron Holdings Limited to Sinom Investment Limited has been released from escrow and has been transferred to Mount Gibson's account.

Yours sincerely

MOUNT GIBSON IRON LIMITED



Angela Dent
Company Secretary

For further information:

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About Mount Gibson Iron Limited (ASX Code: MGX)

Mount Gibson is Australia's leading independent iron ore producer, and a driving force behind the development of the Mid West iron ore industry in Western Australia.

Mount Gibson is leading the consolidation of the junior iron ore industry, and with the successful takeover of Aztec Resources, will build a sustainable platform for future shareholder growth.

Mount Gibson has a hematite mining operation at Tallering Peak operating at its targeted production rate.

Koolan Island hematite mining operation is approaching its targeted production rate, and plans to develop the Extension Hill hematite project are well advanced.

Mount Gibson is currently producing around 3Mtpa with forecast production of 10Mtpa in 2010

Mount Gibson has firm commercial relationships with major Chinese steel industry customers, and with continued strong demand and prices the Company and its shareholders are ideally leveraged to benefit from further commodity price rises.

The Company is generating strong cashflow and has a stable and experienced management team focused on delivering returns to shareholders.