



Mount Gibson Iron Limited

ABN 87 008 670 817



First Floor, 7 Havelock Street
West Perth 6005, Western Australia

PO Box 55, West Perth WA 6872

Telephone: 61-8-9485 2355
Facsimile: 61-8-9485 2305
E-mail: admin@mtgibsoniron.com.au

22 September 2004

No. Pages = 3

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

SUBJECT: MOUNT GIBSON IRON LIMITED PREDICTS PROFITS FOR NEXT THREE YEARS

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited, advised today that the Company had completed a review of operations at its Talling Peak hematite (iron ore) mine in Western Australia and prepared budgets for the next three years based on performance since the mine's commissioning late last year.

OPERATING PROFIT – TALLERING PEAK HEMATITE

A summary of the Company's budget for the Talling Peak operations is as follows;

		2004/05	2005/06	2006/07
Ore Production	Mt	1.9	2.1	2.3
Ore Shipped	Mt	1.8	2.0	2.1
Sales	\$Mil	65.4	79.1	86.9
Production Costs	\$Mil	(45.9)	(50.4)	(59.8)
OPERATING PROFIT	\$Mil	23.7	32.7	33.2

Production is currently running at 1.8Mtpa with shipping this quarter expected to exceed the budgeted 450,000 tonnes.

Additional railway wagons promised by the Australian Railroad Group for the end of this month will permit the above shipping targets to be achieved.

Sales projections have assumed price rises for iron ore of 7.5% in 2005/06 and a further 2% in 2006/07 which are considered to be conservative. The assumed exchange rate of US\$0.72 is based on 45% of the Company's income for this year being hedged at this rate, and an intent to hedge around 50% of the following two year's income at lower rates if the opportunity arises.

The lump ore to fines ratio has been set at 65 : 35 in 2004/05, which is the ratio achieved to date, and at 70 : 30 in the future with ore becoming more competent with increasing pit depth.

Contracted sales to four buyers in China for the life of the Tallering Peak mine are for a total of 1.06Mtpa of lump ore and 0.55Mtpa of fines. Additional production will be sold on the spot market which remains strong.

The Company is undertaking its own mining operations and has the capacity to further increase production by varying the shift roster to effect a continuous operation if it becomes appropriate. Problems with shortage of rail wagons and port operations in the start-up phase of the project have been largely overcome.

COMPANY PROFITS

Company profits generated from the Tallering Peak mine have been budgeted as follows;

		2004/05	2005/06	2006/07
OPERATING PROFIT	\$Mil	23.7	32.7	33.2
Less				
State Royalties	\$Mil	(4.5)	(5.5)	(6.1)
Financing Costs	\$Mil	(0.4)	(0.1)	(0.1)
Depreciation & Amortisation	\$Mil	(4.2)	(4.0)	(3.9)
Corporate Overheads	\$Mil	(1.1)	(1.2)	(1.4)
NET PROFIT BEFORE TAX	\$Mil	13.5	21.9	21.7
Write-off of Exploration & Predevelopment Costs (New Projects)	\$Mil	(0.9)	(1.7)	(0.5)
Taxation	\$Mil	-	(0.7)	(6.0)
NET PROFIT AFTER TAX	\$Mil	12.6	19.5	15.2

The above budget does not include any results during this period from the Company's next hematite mine at Mt Gibson or from management fees from proposed magnetite concentrate operations of Asia Iron Holdings Limited, both of which could occur in 2006/07.

Commencement of the Mt Gibson mine has been delayed until the owner of the regional rail system can increase the systems capacity on commercial terms acceptable to the Company. It may become necessary to mine out the Tallering Peak deposits at around 2.3Mtpa to 2.5Mtpa (current rail capacity) before relocating to Mt Gibson. Alternatively, the two mines could be operated simultaneously at this tonnage.

In the event production of hematite continues to be restricted to 2.5Mtpa, the Company has sufficient resources at the two locations to operate at this level for approximately eleven years.

The Mt Gibson mine is expected to produce similar operating profit to Talling Peak as extra haulage costs will be largely offset by reduced mining costs as a result of a lower waste to ore ratio.

Yours sincerely

MOUNT GIBSON IRON LIMITED



Angela Dent
Company Secretary

Enquiries: Mr Brian Johnson
Managing Director
Telephone: 08-9485-2355
E-mail: brianjohnson@mtgibsoniron.com.au