



## 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: PROPOSED SHARE PLACEMENT TO FINANCE DEVELOPMENT OF MOUNT GIBSON IRON LIMITED'S SECOND IRON ORE MINE**

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited, announced today that the Company had formalized a Share Subscription Agreement with a Chinese iron ore trader, Sinom (Hong Kong) Limited.

Under the terms of the Agreement, Sinom will subscribe for 18.8 million shares at 17 cents each on or before 15 October 2003 to raise \$3,196,000, and will be granted free options to subscribe for a further 18.8 million shares at 22 cents each prior to 15 October 2005. Shareholder approval is not required for the placement.

Sinom is a growing iron ore trader which in the past twelve months has shipped approximately 9.0 million tonnes of ore from Western Australian and Brazilian producers on behalf of Chinese steel mills, and purchased directly an additional 2 million tonnes which were on-sold to Chinese end users.

Sinom has also entered into an Ore Sales Agreement whereby it will purchase 120,000 tpa of lump ore from the Talling Peak mine for the life of the mine, and a total of 1.0 Mtpa of lump and fine ore from the Mt Gibson project for its expected 8 to 10 year mine life, subject to all relevant approvals for mine development being in place by 30 September 2004.

It is planned to increase annual production at Talling Peak from 1.5 Mtpa to 1.65 Mtpa to accommodate the additional sales to Sinom, and to proceed immediately with further exploration at Mt Gibson with the aim of adding to existing reserves.

Work on environmental permitting for Mt Gibson will also recommence after being suspended for twelve months while the Company focused its efforts on the development of Talling Peak, where mining will commence next month.

The arrangement with Sinom will partially off-set a previous arrangement with Glencore International AG to purchase all of the planned 1.5 Mtpa production from Mt Gibson, which was terminated by mutual agreement when the project was deferred in favor of the development of Talling Peak.

The development of the Mt Gibson mine is contingent on State Government support for the upgrading of the Mt Gibson – Perenjori road, or permission being granted for the construction of an 85 km private haul road from the mine to the railhead.

Subject to all approvals being in place by September 2004, the Mt Gibson mine should be ready to ship ore through Geraldton in April 2005.

The Company holds an option to lease land backing Berth 5 in the Geraldton Port complex, which is suitable for iron ore storage, and the Geraldton Port Authority has guaranteed access to the uncommitted production capacity of the existing ship loader at Berth 4, sufficient to accommodate total exports of over 3.0 Mtpa.

Yours sincerely,  
MOUNT GIBSON IRON LIMITED



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

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