



Mount Gibson Iron Limited

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MOUNT GIBSON IRON ADVANCES ITS MID WEST MAGNETITE PROJECTS

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited ("MGI"), announced today that the Company has further refined its Agreement with Hong Kong based Asia Iron Holdings Limited ("Asia Iron") to supply magnetite concentrate to Asia Iron's proposed pellet plants in China.

The revised arrangements will be beneficial to MGI as the Company will not now be required to provide capital for the mines to be developed to satisfy Asia Iron's concentrate requirements.

MGI, through its subsidiary Mount Gibson Mining Limited ("MGM") holds, or has a majority interest in Mining Leases in the Mid West region of Western Australia at Talling Peak and Mt Gibson. Asia Iron holds iron deposits at Koolanooka, East Perenjori and Wolla Wolla. All of these "Mid West Iron Deposits" contain both hematite and magnetite ores.

Under the revised arrangements:

- MGM will have mining rights for all hematite occurring at any of the Mid West Iron Deposits.
- Asia Iron will have mining rights for all magnetite occurring at any of the Mid West Iron Deposits.
- MGM will act as Manager for the development and operation of Asia Iron's four proposed magnetite mines, on a cost plus fee basis.
- Asia Iron will finance the development of its mines and will supply the crushing plants, concentrators, power generation equipment, railway wagons, shiploaders and other major plant.
- MGM is committed to relatively small expenditures on mining camps, offices and workshops. Mining equipment will either be leased by MGM or provided by sub-contractors.
- MGM's initial management fee will be \$6.00 per tonne, reduced from the previously negotiated \$8.00 per tonne because MGM will no longer be required to provide capital for mine development.
- The management fee will be escalated over the 20 year life of the management contract, indexed to iron ore prices.

The first mine to be developed by MGM on behalf of Asia Iron in 2005 is expected to be at Koolanooka (2.5 Mtpa of magnetite concentrate). A second mine of similar output will be developed as soon as possible thereafter at either Wolla Wolla or Mt Gibson.

MGI now expects to achieve its near term objectives of:

- increasing production of hematite at Tallering Peak to 2.2 Mtpa within twelve months;
- commissioning its Mt Gibson hematite mine at 1.5 Mtpa in mid 2005; and
- producing 5.0 Mtpa of magnetite concentrate for Asia Iron by the end of 2006.

without increasing its capital base other than through the conversion of existing share options and the previously announced placement of 15 million shares to Asia Iron.

Mr Johnson said that he expected MGI to be able to achieve solid earnings growth over the next three to four years, from the predicted pre-tax operating profit for 2004/5 (5 cents per share). No tax will be paid in 2004/5 due to accumulated tax losses, and the full tax rate will not be payable until 2006/7.

Yours sincerely

MOUNT GIBSON IRON LIMITED



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Company Secretary

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