



## Mount Gibson Iron Limited

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### **MOUNT GIBSON IRON WELCOMES ASIA IRON JV MILESTONE**

Mount Gibson Iron Limited (ASX Code: MGX) ("Mount Gibson") welcomes yesterday's signing in Perth of a milestone framework agreement that sets out the commercial and operational terms of the joint venture between Asia Iron Holdings Limited ("Asia Iron") and Nanjing Iron & Steel United Co. Ltd ("Nanjing Iron & Steel"), which commits both companies to jointly invest A\$370 million to develop iron ore mines in the Mid West region of Western Australia and construct two iron pellet plants in Nanjing, China.

A delegation from Nanjing, led by the Deputy Chairman of Nanjing Iron & Steel and senior representatives of the Nanjing Government, met with Western Australian Minister for State Development Hon. Clive Brown yesterday to discuss the project, which involves direct expenditure in Western Australia of A\$ 260 million.

The joint venture will produce 5.0Mtpa of magnetite concentrate, shipped from Geraldton, as feed for two new 2.5 million tonne iron pellet plants to be built, at a cost of A\$ 110 million, by the joint venture at Longtan near Nanjing.

Asia Iron and Nanjing Iron & Steel will finance all mine development costs. Mount Gibson will not invest any capital, but earns a management fee to oversee the development and operation of the mines, on a cost plus fee basis over the 20 year life of the management contract. The management fee will be escalated and indexed to CPI to provide a substantial long term cash flow to Mount Gibson shareholders.

Mount Gibson has previously announced that, subject to shareholder approval, it proposes to acquire a 30% shareholding in Asia Iron in exchange for its 54% share in the Mt Gibson magnetite deposits. Asia Iron owns significant magnetite resources at Koolanooka and Wolla Wolla, east of Geraldton, and is in the process of acquiring the additional resources at Mt Gibson.

Mine construction is scheduled to commence in the fourth quarter of 2005 with commissioning twelve months later. The second stage of mine development, which will increase concentrate production from 2.5 to 5.0Mtpa, will follow on immediately from completion of the first stage.

Mount Gibson Iron commenced operations at its Tallering Peak mine in December 2003 and is on track to export 1.8 million tonnes of iron ore to China this financial year, rising to 2.3Mtpa from July next year.

Yours sincerely

**John Arbuckle**  
Company Secretary

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