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

**SUBJECT: COMMENCEMENT OF IRON ORE MINING AT TALLERING PEAK  
& COMPLETION OF SHARE PLACEMENT**

Mr Brian Johnson, Managing Director of Mount Gibson Iron Limited, announced today that the Company had commenced mining operations at its new iron ore mine at Tallering Peak. Operations will move to a double shift at the end of November 2003 after which production is planned at 1.6Mtpa of direct shipping grade hematite ore.

Railing of ore is expected to commence in mid January 2004 with the first shipment to Glencore's iron making plant in Nanjing, China, scheduled for the end of January. Dredging of the Geraldton Harbour to accommodate 60,000 tonne capacity Panamax vessels will be completed next month, as will construction of the Company's storage facilities at the port.

Mr Johnson said that the Company was undertaking the mining of Tallering Peak utilizing a leased fleet of new mining equipment, with experienced contractors carrying out the crushing and screening of ore, road and rail transport and ship loading. He said that the Company had been able to recruit a competent management team for the mining operations, the key members of which he had worked with successfully in the past.

With all production pre-sold for the life of the Tallering Peak mine, which is expected to be 8 to 10 years, the Company will now focus on developing its second mine at Mt Gibson. Subject to all necessary permitting being in place within twelve months, the planned 1.5Mtpa hematite mine should be in production in the second quarter of 2005.

The previously announced placement of 18.8 million shares to Sinom (Hong Kong) Limited at 17 cents per share has been completed today following receipt of \$3,196,000. These funds will be applied primarily to predevelopment costs associated with the Mt Gibson hematite project. The Company will also issue free options to Sinom's nominees to subscribe to 18.8 million shares at 22 cents each, on or before 15th October 2005. The shares issued will be subject to voluntary escrow until 15 April 2005.

Yours sincerely  
**MOUNT GIBSON IRON LIMITED**

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

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