



Mount Gibson Iron Limited

ABN 87 008 670 817



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

SUBJECT: MOUNT GIBSON IRON ON TARGET TO SHIP 1.8MT OF IRON ORE THIS YEAR

Mount Gibson Iron Limited submits the attached quarterly report to 30 September 2004 and summarises the highlights below:

PRODUCTION

Mining operations at the Company's Talling Peak iron ore mine produced 463,000 tonnes of ore for the quarter.

A total of 467,000 tonnes of iron ore were shipped through Geraldton to customers in China in line with budget expectations.

PROFITABILITY

Net profits for the quarter were \$2.1 million, which is \$500,000 below budget due largely to continuing excessive demurrage costs associated with congestion at the Geraldton Port Authority's bulk materials berth. This problem should be largely alleviated by the installation by the port authority of a new shiploader, which will remove non compatible minerals to a separate berth. The Company has been advised the new shiploader will be operable by December 2004.

The raiiling contractor's inability to provide sufficient suitable wagons to support the current production of 1.8 Mtpa further impacted costs and necessitated road haulage of 56,000 tonnes of ore to Geraldton during the quarter to meet shipping schedules, at a cost penalty to normal raiiling charges. However, the raiiling contractor's performance is improving with 139,000 tonnes of ore expected to be raiiled this month, close to scheduled requirements.

The railway contractor has agreed to provide sufficient wagons to allow production to be increased to 2.1Mtpa in January 2005. A further increase to 2.3Mtpa is planned for June 2005.

Apart from the impact of the above issues which are being resolved, the underlying operating profit is being maintained at the expected level. Cost penalties in the first quarter are expected to be offset over the full year by the receipt of premiums for spot sales of production in excess of contracted sales (1.6Mtpa).

CASH POSITION

The Company's cash position improved during the quarter after the repayment of \$862,000 of shareholder advances for future ore sales and the expenditure of approximately \$5.9 million on waste removal to facilitate future mining of ore.

ORE QUALITY

Ore quality is progressively improving with increasing pit depth, as expected. Current lump ore is grading around 63.4% Fe with fines ore around 61.8% Fe. These grades are similar to the better quality Pilbara ores.

EXPLORATION

Exploration expenditure of \$685,000 was incurred on the further evaluation and exploration of the Mt Gibson hematite and magnetite deposits.

CURRENT QUARTER

It is anticipated that ore sales during this quarter will exceed the projected 450,000 tonnes.

Yours sincerely

MOUNT GIBSON IRON LIMITED



Angela Dent
Company Secretary

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Mount Gibson Iron Limited

ABN

87 008 670 817

Quarter ended ("current quarter")

30 September 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	12,524	12,524
1.2 Payments for		
(a) exploration and evaluation	(685)	(685)
(b) development	(110)	(110)
(c) production	(3,801)	(3,801)
(d) administration	(423)	(423)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	11
1.5 Interest and other costs of finance paid		
- hire purchase & finance lease	(206)	(206)
- borrowings	(192)	(192)
- other	(47)	(47)
1.6 Income taxes paid	-	-
1.7 Other (inventory)	-	-
Net Operating Cash Flows	7,071	7,071
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(73)	(73)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - payment for capitalised exploration	-	-
- payment for capitalised waste	(5,855)	(5,855)
Net investing cash flows	(5,928)	(5,928)
1.13 Total operating and investing cash flows (carried forward)	1,143	1,143

+ See chapter 19 ASX Listing Rules for defined terms.

1.13	Total operating and investing cash flows (brought forward)	1,143	1,143
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings – stockpile finance	5,782	5,782
1.17	Repayment of borrowings		
	- hire purchase & finance lease	(436)	(436)
	- shareholder advance	(862)	(862)
	- stockpile finance	(4,653)	(4,653)
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	(50)	(50)
	Other (Redemption – Convertible Notes)	-	-
	Net financing cash flows	(219)	(219)
	Net increase (decrease) in cash held	924	924
1.20	Cash at beginning of quarter/year to date	611	611
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,535	1,535

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	69
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Included in “Proceeds from Borrowings” and “Repayment of Borrowings” is the drawdown and repayment of stockpile financing with HSBC Bank Australia Ltd. The stockpile financing facility is used by the Company to maintain its working capital which would otherwise fluctuate due to the irregular timing of receipts from shipments. Drawdowns of stockpile financing are based on existing stocks at a point in time which are then repaid when proceeds are received from the ship that received those stocks, therefore, the nature of the funding is very short-term. During the September quarter, A\$5.8 million was borrowed under this facility with A\$4.7 million being repaid. This was based on 5 drawdowns with an average value of A\$1.2 million per drawdown.

Also included in “Repayment of Borrowings” is part repayment of the US\$6 million advance by Stemcor (S.E.A.) Pte Ltd for ore sales.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the current quarter, plant totalling \$856,578 was purchased under Hire Purchase arrangements.

+ See chapter 19 ASX Listing Rules for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities - hire purchase and finance lease - shareholder advance	9,686 5,095	9,686 5,095
3.2 Credit standby arrangements – stockpile facility	5,000	1,966

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	270
4.2 Development	-
Total	270

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,535	611
5.2 Deposits	-	-
5.3 Bank overdraft	-	-
5.4 Other (funds held in trust)	-	-
Total: cash at end of quarter (item 1.22)	1,535	611

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2 Interests in mining tenements acquired or increased	N/A		

+ See chapter 19 ASX Listing Rules for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	291,565,822	291,565,822	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	Convertible @ 30 cents 6 monthly to 30/6/05 Interest @ 10% pa 6 monthly in arrears Total on issue 7,916,667	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7 Options <i>(description and conversion factor)</i>	30,800,000 2,083,332 19,000,000	-	<i>Exercise price</i> 22.00 cents 15.84 cents 25.00 cents	<i>Expiry date</i> 15/10/05 28/02/06 31/12/04
7.8 Issued during quarter	5,000,000	-	22.00 cents	15/10/05
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-	-	-
7.12 Unsecured notes <i>(totals only)</i>	-	-	-	-

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

Date: 29 October 2004

(~~Director~~/Company Secretary)

Print name: Angela Dent

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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