



Mount Gibson Iron Limited

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QUARTERLY REPORT FOR THE PERIOD ENDING

30 September 2005

HIGHLIGHTS

Tallering Peak Hematite Mine

- Production of 471,000 tonnes of iron ore (hematite) for the quarter.
- Shipments of 500,000 tonnes of iron ore (hematite) for the quarter.

Extension Hill Magnetite Project

- Agreement reached for Mount Gibson Iron Limited to increase its shareholding in Asia Iron Holdings Limited ("Asia Iron") to 76%.
- Asia Iron entered into a revised Participation Agreement with Shougang Holding (Hong Kong) Limited, a wholly owned subsidiary of the Beijing based Shougang Group which is China's fourth largest steelmaker, to jointly develop a mine at Extension Hill to produce 5.0 Mtpa of magnetite concentrate. (Full details are set in the ASX announcement dated 15 September 2005)
- Asia Iron will develop and operate a 2.5Mtpa pellet plant at Longtan near Nanjing, China.

Corporate

- \$46 million cash on hand at end of the quarter.

TALLERING PEAK HEMATITE MINE

Mining operations at Tallering Peak produced a total of 471,000 tonnes of iron ore for the September quarter from a total movement of 1,036,000 BCM. Activities focussed on the pre-production development of the T3 pit during the quarter with a total of 284,000 BCM of waste moved. A minor wall failure in the T4 pit delayed ore production whilst a geotechnical evaluation was completed. Stockpiled ore was used to supplement crusher feed during September.

The Company has negotiated with a mining contractor to increase total production onsite to 600,000 BCM per month in order to accelerate ore production from the T5 pit allowing Company owned equipment to focus on waste pre-production requirements in T3 pit. This will facilitate increased stockpiles of ROM ore allowing better blending capabilities through the crushing plant to maintain optimum quality of ore shipped.

A total of 500,000 tonnes of ore was shipped during the period consisting of 322,000 tonnes of Lump ore and 178,000 tonnes of Fines. Loading of two shipments of ore scheduled for September were only completed in October due to congestion at the port and the late arrival of the second ship.

Performance of the Rail Contractor continued to improve during the quarter resulting in the cessation of road haulage of ore direct from the minesite to the port. The additional rail wagons required to increase production to 3 Mtpa are scheduled for delivery in March 2006. The first prototype wagon is scheduled for delivery and testing in January 2006.

| PRODUCTION SUMMARY | UNIT | JUNE QTR 2005 000's | SEPT QTR 2005 000's |
|--|-------------|------------------------------------|------------------------------------|
| Mining | | | |
| - Waste mined | bcm | 810 | 932 |
| - Ore mined | wmt | 480 | 471 |
| Crushing | | | |
| - Lump | wmt | 405 | 371 |
| - Fines | wmt | 183 | 190 |
| | | 588 | 561 |
| Transported to Mullewa Railhead | | | |
| - Lump | wmt | 348 | 335 |
| - Fines | wmt | 128 | 173 |
| | | 476 | 508 |
| Transported to Geraldton Port | | | |
| - Lump | wmt | 368 | 320 |
| - Fines | wmt | 153 | 186 |
| | | 521 | 506 |
| Shipping | | | |
| - Lump | wmt | 281 | 322 |
| - Fines | wmt | 140 | 178 |
| | | 421 | 500 |
| Shipping | | | |
| - Lump | dmt | 278 | 317 |
| - Fines | dmt | 137 | 174 |
| | | 415 | 491 |

MT GIBSON HEMATITE PROJECT

Planning is proceeding to commission a hematite iron ore mine at Mt Gibson in mid 2007 to coincide with the completion of a new iron ore loading berth at Geraldton. Initial production will be 1.5 Mtpa of direct shipping grade hematite ore and will require the supply of additional rail wagons by either the Company or the Rail Contractor. Track access negotiations are progressing.

EXTENSION HILL MAGNETITE PROJECT

ASIA IRON HOLDINGS LIMITED

Mount Gibson Iron Limited has reached agreement to increase its shareholding from 63% to 76% of the issued capital in Asia Iron.

On 15 September 2005 Asia Iron entered into a revised Participation Agreement with Shougang Holding (Hong Kong) Limited, a wholly owned subsidiary of the Beijing based Shougang Group which is China's fourth largest steelmaker, to jointly develop a 5.0Mtpa mine at Extension Hill. (Full details are set in the ASX announcement dated 15 September 2005).

BANKABLE FEASIBILITY STUDY

The Bankable Feasibility Study for the Extension Hill Magnetite Project is proceeding satisfactorily with pressure on previous capital cost estimates due to the extremely high prices for fabricated steel and mechanical equipment installation currently prevailing in Western Australia. The Company is focussing on offshore fabrication and in modularisation to combat cost escalations.

A contract has been awarded to Beijing Shougang Design Institute ("BSDI") to complete the engineering design for Asia Iron's proposed 2.5mtpa pellet plant in Nanjing, China and negotiations are proceeding to finalise a turnkey contract with BSDI for the construction of the pellet plant.

EXPLORATION

Exploration expenditure of \$3.9 million was incurred on further evaluation and exploration of the Mt Gibson magnetite and hematite deposits. The majority of this expenditure (\$3.8 million) was incurred on conducting the feasibility study for Asia Iron at its cost.

CORPORATE

EXERCISE OF OPTIONS

During the quarter, 9,944,760 options at 22 cents each were exercised which realised \$2,187,847 of cash for the Company. Subsequent to 30 September, a further 20,561,086 options at 22 cents each were exercised which realised a further \$4,523,438 in cash for the Company.