QUARTERLY REPORT

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED

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Alan Rule - *Finance Director*

MOUNT GIBSON IRON LIMITED (“MOUNT GIBSON”) QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2007 ASX ANNOUNCEMENT 30 JULY 2007

HIGHLIGHTS

- Record full year net profit after tax (unaudited) of $47.7 million, up 103% on the corresponding period last year;
- Mount Gibson ideally placed to leverage from strong iron ore prices and demand with 6Mt of iron ore production forecast for 2007/08;
- Iron ore shipments commence from Koolan Island marking the transition of the project from construction to production;
- Koolan Island project scope of work to be completed on budget;
- Major iron ore sales agreement finalised with Chinese steel producer, Rizhao Steel Holding Group Co. Ltd;
- Mount Gibson appoints HSBC Bank Australia Limited and National Australia Bank Limited as the Joint Lead Arranger and Underwriter Banks for a A$200 million Corporate Debt facility;
- Mount Gibson reconstitutes the Board of Directors; and
- Infill drilling at Tallering Peak continues to confirm T2 resource and drilling program at Koolan Island commenced with early encouraging results.

CORPORATE

Financial Position

For the year ended 30 June 2007, Mount Gibson achieved a record full year net profit after tax (unaudited) of $47.7 million, up 103% on the corresponding period last year. Net assets (unaudited) totalled $453 million whilst cash on hand at the end of June 2007 was $60.8 million.

Board

On 24 April 2007 Mount Gibson Iron announced the restructure of its Board of Directors. Consistent with that announcement:

- Mr Brian Johnson's resignation from the Mount Gibson Board took effect from 30 June 2007;
- Mr Alan Rule has stepped down as an Executive Director to become Chief Financial Officer and has become an alternate Board member for Managing Director Mr Luke Tonkin as of 30 June 2007; and
- Mr Mark Horn, a representative of major shareholder Gallagher, joined the Board from 30 June 2007.

Project Funding

At the end of the quarter, Mount Gibson appointed HSBC Bank Australia Limited and National Australia Bank Limited as the Joint Lead Arranger and Underwriter Banks for a A$200 million facility to fund the refinance of existing debt facilities and the Koolan Island and Extension Hill iron ore developments in Western Australia. Legal documentation is currently being completed with financial closure expected by mid August 2007.

Marketing

On 7 June 2007 Mount Gibson announced that it had entered into an agreement for the sale of the remaining annual iron ore production from its Koolan Island operation and Tallering Peak operation with major Chinese steel producer, Rizhao Steel Holding Group Co. Ltd ("**Rizhao**").

Rizhao will purchase up to 1.5 Mtpa of iron ore from Koolan Island, equivalent to 37.5% of Koolan Island's iron ore production at 4 Mtpa production rates. Rizhao has also contracted to purchase up to 900,000 tpa of iron ore from Tallering Peak, equivalent to 30% of Tallering Peak's annualised production rate of 3 Mtpa.

Koolan Island's ore purchase contract with Rizhao is for the life of mine or 15 years whichever is the lesser whilst Tallering Peak's ore purchase contract is for the life of mine. Ore sales prices are based on Hamersley benchmark prices.

The iron ore market is tightening as demand growth outpaces global supply which has led iron ore price forecasts for 2008 to increase between 5% and 30%. The sales agreement with Rizhao and previously announced Mount Gibson iron ore sales agreements, fully commits all Tallering Peak and Koolan Island production giving Mount Gibson the full benefit of any increases in iron ore pricing.

OPERATIONS

Tallering Peak

Waste stripping and ore production at the Tallering Peak Mine remained at levels similar to that achieved in the March Quarter due to ongoing congestion and poor loading rates at the Geraldton Port. Mount Gibson continues to work with the Geraldton Port Authority ("GPA") to optimise port performance and reduce the excessive waiting times currently being experienced by all port users however Mount Gibson is becoming increasingly frustrated by the GPA's progress addressing excessive ship loading and waiting times. The GPA continues to advise that the new shiploading facility being constructed at Berth 5 will be operational by calendar year end and as a consequence Mount Gibson will increase rail capacity in the second half of the financial year to utilise the new installed shiploading capacity at the Port and lift production to 3 million tonnes. Iron ore shipments from Tallering Peak in the first half of the financial year are scheduled at 2.5Mtpa rates without unreasonable delay whilst shipments in the second half are expected to exceed 3.5Mtpa rates with the introduction of increased shiploading and rail capacity.

Ore production during the June quarter showed an increase of 48% compared with the March quarter which was sourced predominantly from the T3C area as planned. The T3C area will continue to be the major source of high grade ore at the Tallering Peak mine during the September quarter.

Waste stripping focused on the T6A and T6B pit areas during the quarter with lower grade ore additional to reserves (78kt) recovered during the development of the T6 pit. Environmental approval to clear the T2 pit area was granted during the quarter and subsequent clearing of this area and pioneering work to establish the upper bench of this pit was well advanced.

Ore stocks increased throughout the quarter to 731,000 tonnes at 30 June as a consequence of delays at the Geraldton Port and the inability of the Port to load Mount Gibson's scheduled vessels at contracted rates however the introduction of the GPA's new shiploading facility is expected to have a positive and sustained impact on Mount Gibson's iron ore exports.

Production for the June 2007 quarter and year to date for Tallering Peak is set out below:

		Sept 2006 qtr 000's	Dec 2006 qtr 000's	March 2007 qtr 000's	June 2007 qtr 000's	TOTAL YTD 000's
Mining						
Waste Mined	*bcm*	2,541	2,283	2,331	2,445	**9,600**
Ore Mined	*wmt*	1,092	681	468	691	**2,932**
Crushing						
Lump	*wmt*	411	408	398	428	**1,645**
Fines	*wmt*	308	255	251	252	**1,066**
Total	*wmt*	**719**	**663**	**649**	**680**	**2,711**
Transport to Mullewa Railhead						
Lump	*wmt*	391	370	381	435	**1,577**
Fines	*wmt*	254	296	248	235	**1,033**
Total	*wmt*	**645**	**666**	**629**	**670**	**2,610**
Transport to Geraldton Port						
Lump	*wmt*	300	331	377	417	**1,425**
Fines	*wmt*	216	253	279	228	**976**
Total	*wmt*	**516**	**584**	**656**	**645**	**2,401**
Shipping						
Lump	*wmt*	239	429	319	388	**1,375**
Fines	*wmt*	170	279	272	216	**937**
Total	*wmt*	**409**	**708**	**591**	**604**	**2,312**

The following figures show development of the main range pit over the last quarter.

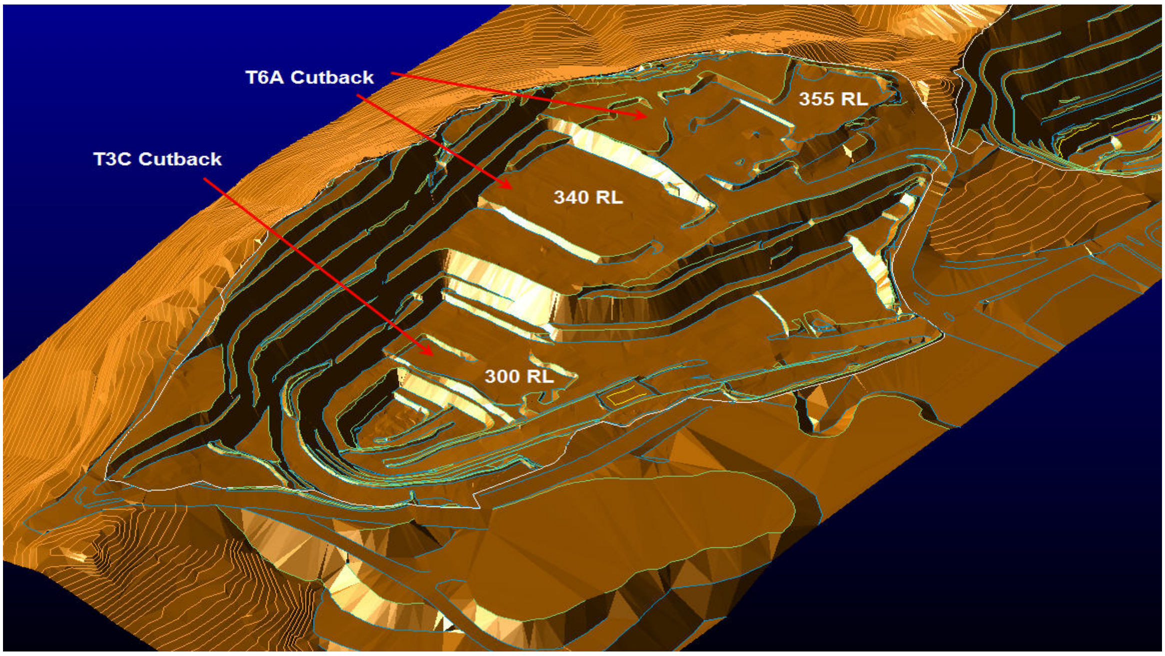


Figure 1 – Survey of Main Range Pits at end of March 2007

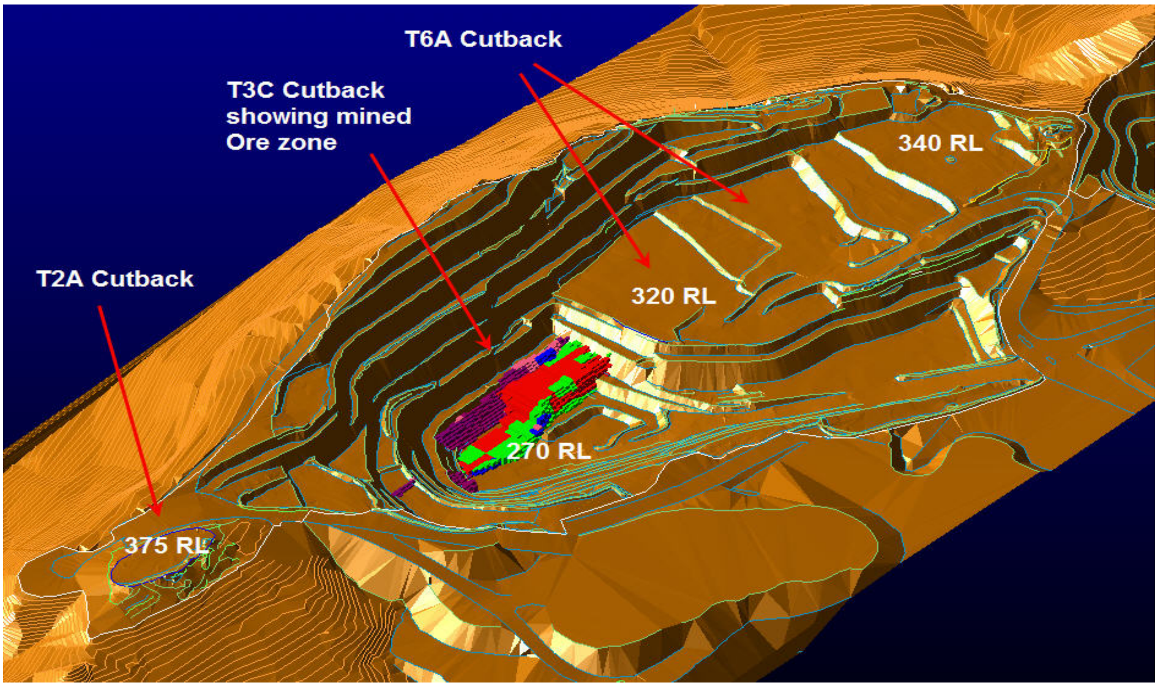


Figure 2 – Survey of Main Range Pits at end of June 2007

Figure 1 shows the Main Range pit as at the end of March 2007. Figure 2 shows the same view at the end of June 2007. The mined ore from the resource model is also shown in this figure. Mine development has concentrated on developing T6A cutback to remove overburden whilst mining ore from T3C cutback and commencing the T2 cutback during the quarter.

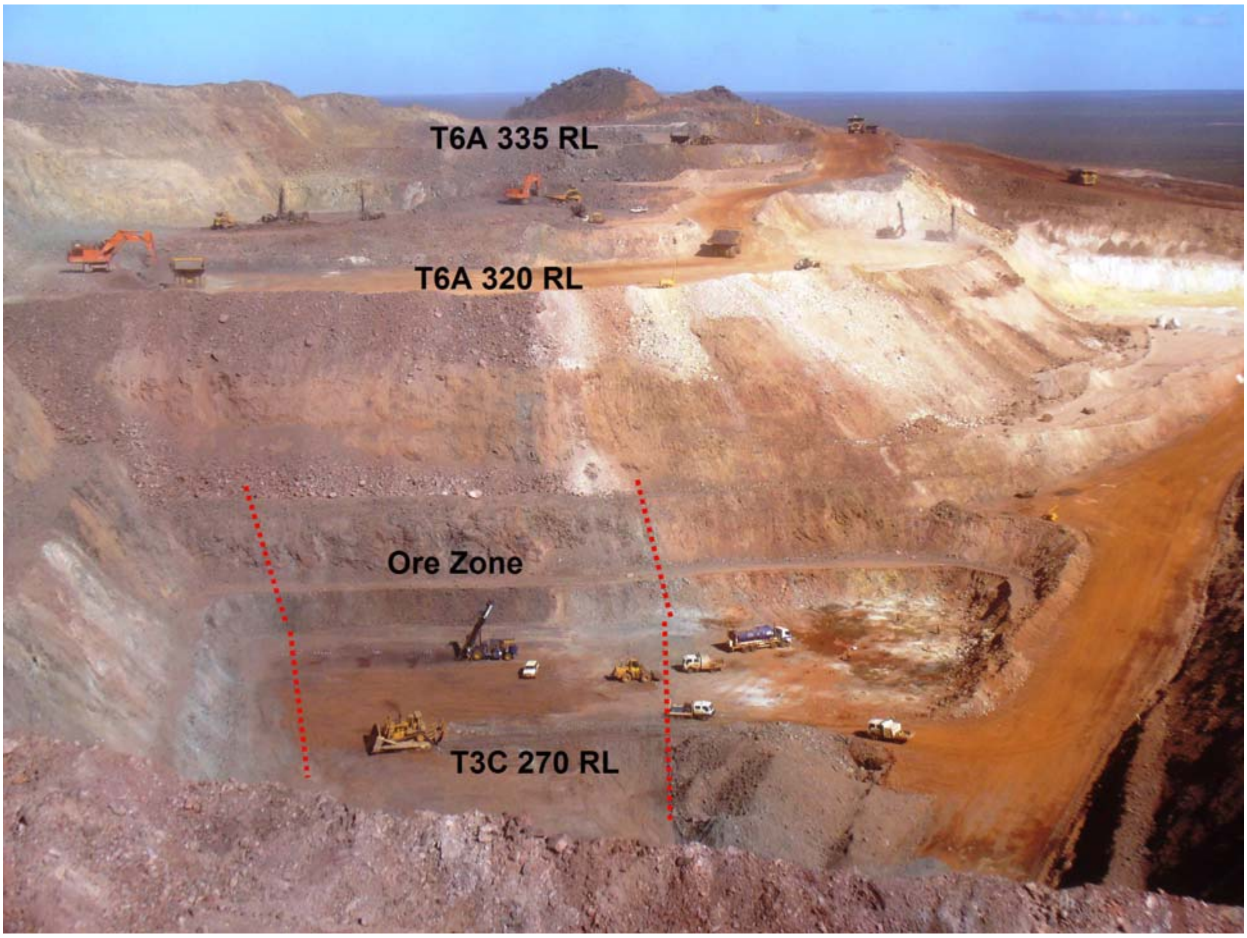


Figure 3 –Main Range Pits looking west at end of June 2007

Crushing, road haulage to the Ruvidini rail loading facility at Mullewa and rail transport to Geraldton were restricted by port access delays for Mount Gibson's ships and the slow shiploading rates being achieved at the Geraldton Port during the quarter.

Benefits of the updated Tallering Peak resource model (completed during the previous quarter) and the company's ongoing detailed RC grade control program are becoming evident in terms of better mine to model reconciliation and hence the ability to clearly define ore blends that maximize the production of saleable lump and fine products.

Infill resource definition drilling was continued in the T2 area during the quarter with a total of 61 reverse circulation holes drilled for 5,133m. Drilling targeted deeper extensions of the mineralization and infilling areas of complex geology. The increase in drill hole density is enabling the development of an updated model of the multiple ore lenses comprising the T2 orebody. The results are also continuing to demonstrate the existence of significant mineralisation below the current resource.

The following table summarises better results from the resource infill drilling program at T2:

Hole	From (m)	To (m)	Interval	Fe %	SiO_2 %	Al_2O_3 %	P %	S %
TPK452	44	50	6	66.80	2.18	0.53	0.010	0.011
TPK454	45	58	13	62.35	5.12	2.80	0.026	0.012
TPK458	15	20	5	63.32	5.75	0.98	0.016	0.007
TPK458	28	44	15	65.06	3.96	1.16	0.219	0.013
TPK459	28	52	24	62.46	5.68	2.92	0.035	0.011
TPK459	57	65	8	62.21	5.28	2.71	0.028	0.111
TPK460	32	58	25	64.66	3.48	2.23	0.021	0.043
TPK461	13	33	20	65.13	4.28	0.83	0.122	0.017
TPK464	27	38	11	62.76	7.38	1.15	0.024	0.007
TPK468	44	54	10	62.42	5.12	3.13	0.028	0.137
TPK474	28	47	19	64.67	4.29	1.22	0.027	0.034
TPK475	30	45	15	66.87	2.47	0.55	0.028	0.026
TPK476	30	52	22	66.09	2.33	1.06	0.025	0.036
TPK477	64	78	14	63.68	3.46	2.86	0.019	0.019
TPK478	67	81	14	64.83	2.84	1.89	0.019	0.018
TPK485	50	59	9	63.74	4.04	2.58	0.016	0.009
TPK491	45	87	42	62.05	4.89	2.74	0.029	0.187
TPK492	56	65	9	66.29	2.34	1.25	0.017	0.027
TPK494	86	100	14	62.54	4.56	1.96	0.023	0.013
TPK496	47	63	16	65.33	2.51	1.51	0.013	0.018
TPK497	53	84	31	61.91	4.68	3.48	0.024	0.017
TPK498	54	67	13	65.47	2.47	1.81	0.015	0.021
TPK498	68	74	6	62.28	4.27	3.61	0.014	0.016
TPK499	42	73	31	63.59	3.78	2.85	0.025	0.022
TPK500	52	67	15	63.20	3.96	3.03	0.015	0.016
TPK501	41	57	16	63.84	3.65	2.49	0.015	0.012
TPK502	38	60	22	63.14	3.94	2.76	0.019	0.014
TPK503	45	68	23	62.83	4.14	2.91	0.012	0.012

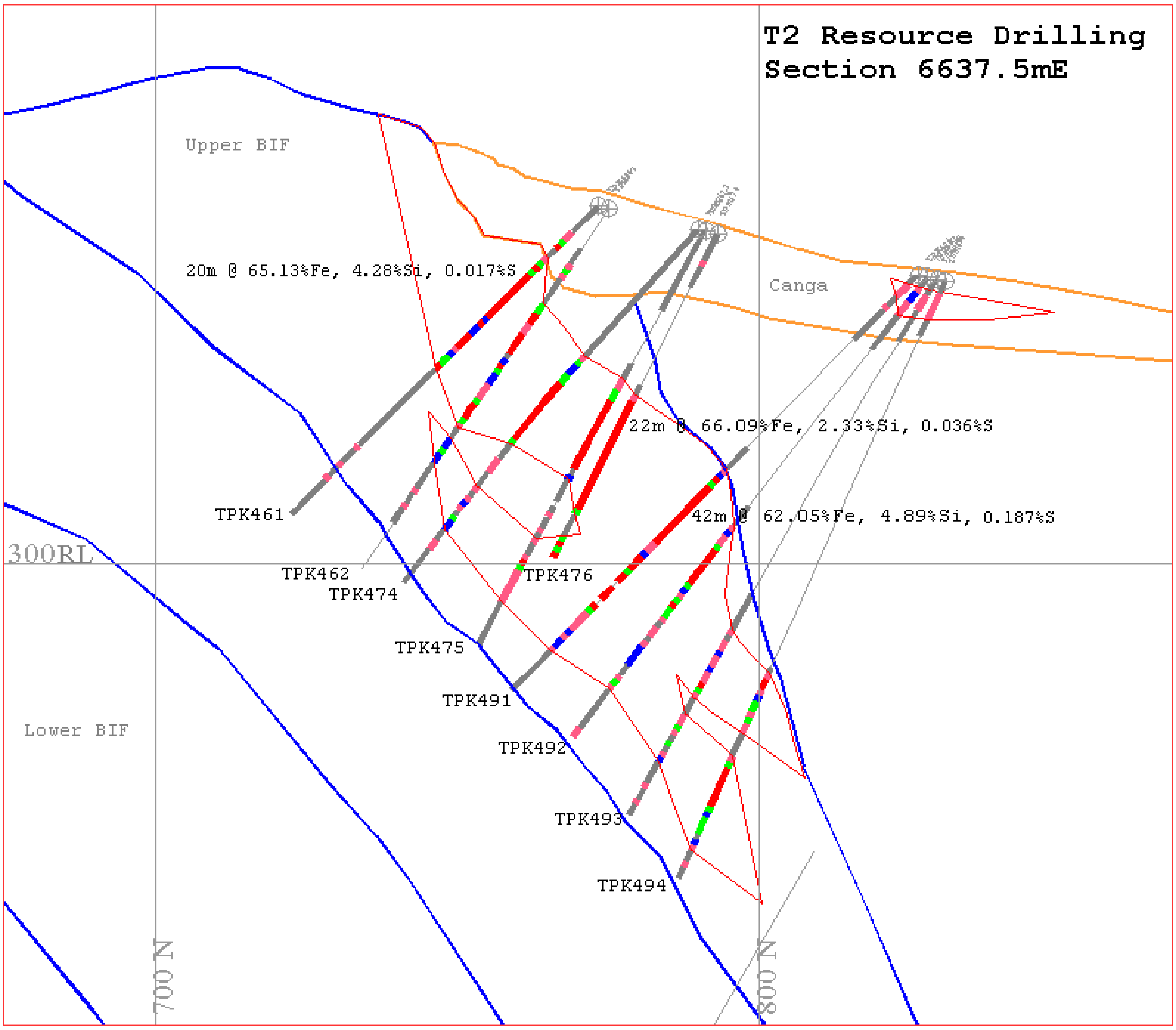


Figure 4 – Drill section through 6637.5mE of the T2 resource at Tallering Peak

Koolan Island

Pre stripping waste at the East and Mullet Open pits increased significantly with the commissioning of the new mining equipment. Total waste movement increased 112% during the June quarter when compared with the previous quarter.

The first ore from the Main West Pit is expected in the September quarter with East and Mullet Pits also expected to deliver strong ore production next quarter.

Ore delivered to the ROM stockpile exceeded 418kt during the quarter with this figure likely to be exceeded next quarter. Mount Gibson has scheduled to ship 3Mt from the Koolan Island operation during the 2007/08 financial year.

Production for the June 2007 quarter and year to date for Koolan Island is set out below:

		Sept 2006 qtr 000's	Dec 2006 qtr 000's	March 2007 qtr 000's	June 2007 qtr 000's	TOTAL YTD 000's
Mining						
Waste Mined	*bcm*		416	588	1,245	**2,249**
Ore Mined	*wmt*		50	91	418	**559**
Crushing						
Lump	*wmt*				146	**146**
Fines	*wmt*				128	**128**
Total	*wmt*				**274**	**274**
Shipping						
Lump	*wmt*				74	**74**
Fines	*wmt*				76	**76**
Total	*wmt*				**150**	**150**

Koolan Island

Construction

Construction and commissioning activities at Koolan Island were completed as follows:

Causeway, jetty & ship loader

- Wharf & jetty construction was completed and Marine & Civil (the contractor undertaking this work) have demobilized;
- Commissioning of ship loader commenced in June with the loading of the first two ships (one lump and one fine). Optimisation of this system will be ongoing over the next three months as further ships are loaded at the Koolan Island shiploading facility;
- Orders for the supply of permanent shipping navigation aids were placed and fabrication of these navigation aids is currently in progress with expected delivery to site late July; and
- Eastern cyclone mooring was relocated out of ship turning basin prior to the first ship.

Crushing and sampling plant

- Commissioning of reclaim and sample system commenced in June with the loading of the first lump shipment. Optimisation of the system continued with the loading of the first fine shipment. Minor punch list items and system design rate performance testing remained outstanding at the end of the quarter; and
- Average reclaim rates up to 1,500 tonnes per hour were achieved for the first two ships loaded.

Buildings & infrastructure

- Regulatory approval of the main fuel farm by DOCEP was delayed whilst technical issues regarding the operation of this facility were resolved. An approval notice was received from the regulator in June and works on the completion of this facility are scheduled to commence in mid July;
- Construction of the site office complex was completed and the primary communications satellite was commissioned;

- The last four accommodation units (20 rooms) arrived on site during June and these units are currently being connected. Combined accommodation capacity at Koolan Island now totals 239 ensuite type rooms; and
- The Koolan Island airstrip was lengthened by 230 metres and bitumen sealed during the quarter. Lengthening and sealing of the airstrip will eliminate the majority of time lost due to the Company's inability to safely land on a rain affected strip during periods of inclement weather.

Plant & equipment

- The third and final heavy mine plant shipment (1 x PC3000 & 4 x 730E trucks) arrived and were commissioned during May.

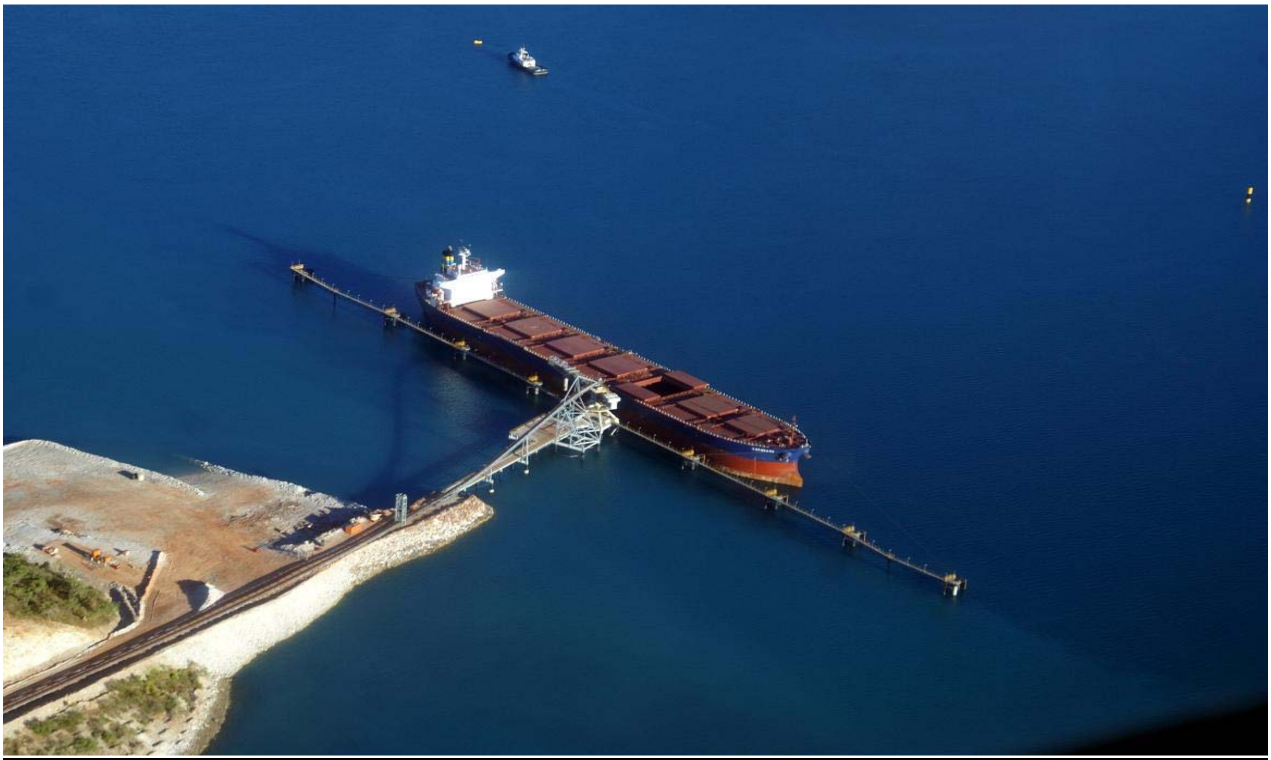
Capital Expenditure

- The scope of work that defined the Koolan Island capital works program to establish operations is nearing completion with capital expenditure estimates remaining as forecast at $147 million.

Main Pit Rehabilitation

- Drill rigs, barges & mesh for the footwall rehabilitation program have been ordered and the first items are scheduled to be transported to the island in August; and
- After a detailed risk assessment process the use of long reach draglines have been identified as the preferred method of placing the bulk fill component of the seawall.

Koolan Island Project Photographs



"MV Coronado" – The first ship at Koolan Island jetty

Loading ore at Eastern Pit

Aerial view of Koolan Island Camp

Koolan Island support barge "Adsteam Doolja"

Project Approvals & License

The Department of Environment and Conservation (DEC) – Licenses to Operate the new facilities in accordance with Stage 1 of the Project Operating Plan was issued during the quarter and the Notice of Intent (NOI) for Stage 2 works (i.e. construction of the main seawall, rehabilitation of the main pit footwall and dewatering of Main Pit to the -40mRL) was lodged during the quarter. Mount Gibson anticipates that environmental approval for Stage 2 works will be granted during the September quarter and the company is currently preparing its detailed management plan for submission to the Department of Consumer & Employee Protection (DOCEP).

Environment

The northern quoll (listed as a threatened species) resides on Koolan Island and prior to any land clearing for pit expansions, waste dumps or other infrastructure requirements, the area must be first cleared of all quoll. A total of 22 hectares of land was cleared during the quarter.

Native Title

Following completion of the first Indigenous Job Ready Program a number of students gained work experience on Koolan Island. Indigenous employment levels on Koolan Island averaged approximately 7.5% of the workforce during the quarter and as more of the local indigenous participants complete the Job Ready Program it is expected that this number will steadily increase to targeted levels.

Exploration

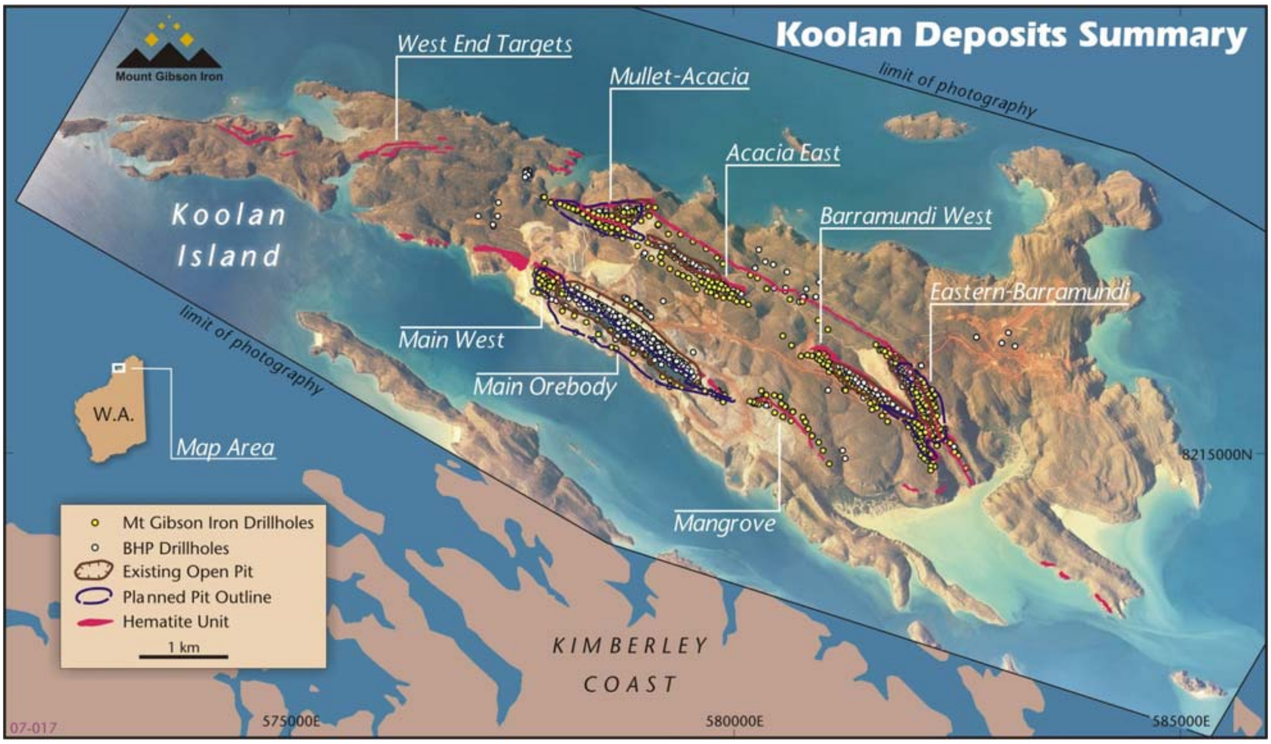


Figure 5. - Koolan Island deposit and drilling summary

Mount Gibson mobilised a Layne Drilling track mounted RC drill rig to Koolan Island in late June and commenced the 19,500 metre of exploration and resource development drilling programme planned for the 2007/08 financial year.

Initial drilling focussed on the Main West deposit. The drilling is planned to infill the Inferred Resource category mineralisation and delineate hematite mineralisation at depth to finalise Main West pit designs.

A total of 1,975m of drilling was completed in 21 holes at Main West during the quarter. The hematite horizons strike northwest-southeast and dip at 50° toward the southwest. Drill holes dip 60° toward the northeast and assays have been received for 11 holes.

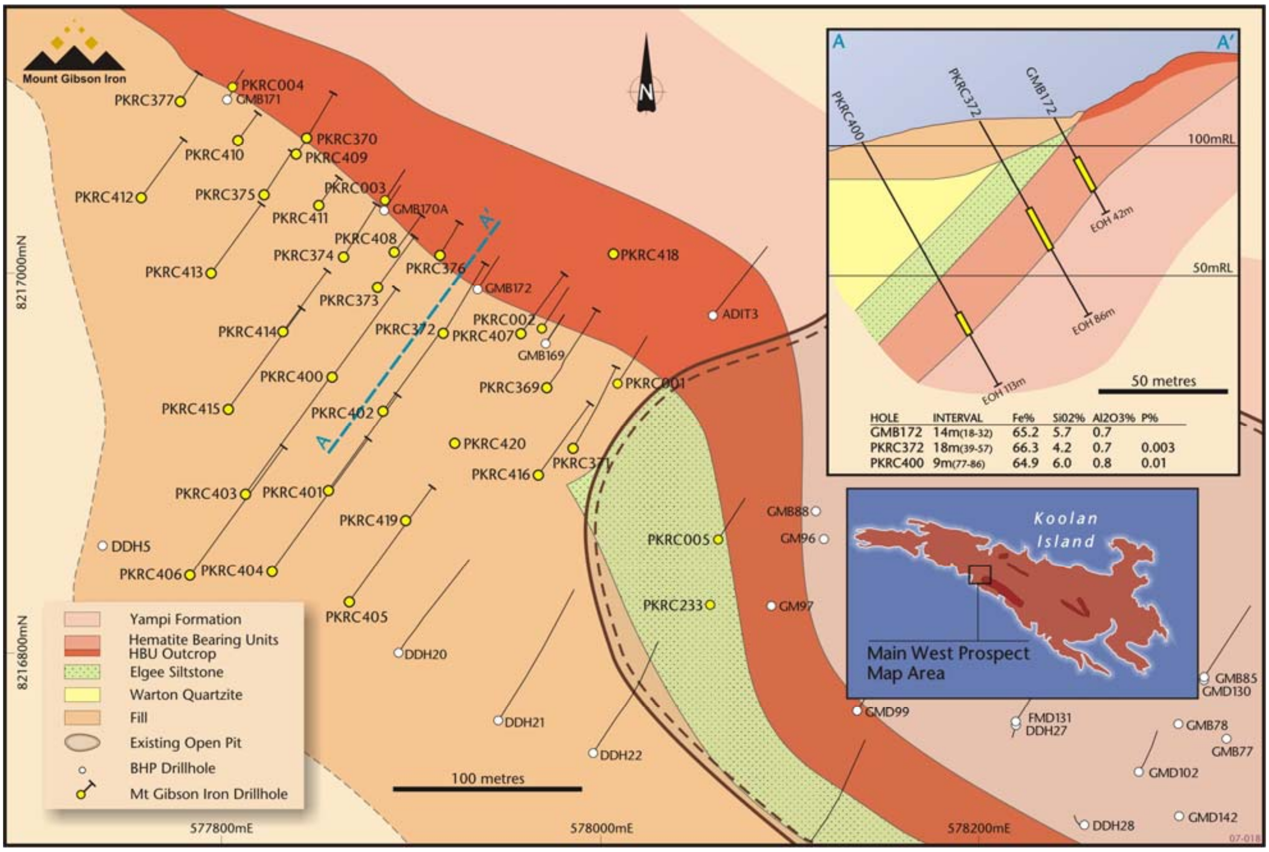


Figure 6. - Main West Deposit drill hole locations and typical cross section.

The better intercepts are tabled below (55% Fe cut off):

Hole	From (m)	To (m)	Interval (m)	Fe(%)	SiO_2(%)	Al_2O_3(%)	P(%)	S(%)
PKRC400	77	86	9	64.90	6.03	0.83	0.01	0.38
PKRC402	86	92	6	60.08	13.52	0.26	0.00	0.13
PKRC407	48	61	13	61.45	11.18	0.15	0.00	0.11
PKRC409	19	26	7	63.57	6.90	1.19	0.00	0.52
PKRC410	20	25	5	61.18	11.09	0.74	0.00	0.43

Infill drilling has recently commenced at the Barramundi West and Barramundi South Deposits to enhance grade definition and locate the boundaries of these deposits which were drilled in 2006.

Surface mapping and sampling progressed at the Main West Deposit and the Mackerel Prospect areas to locate additional resource targets and sterilise areas chosen for waste dumps. The Mackerel Prospect is located approximately 500m northwest of the Main West Deposit (Figure 5). Random rock chip results were encouraging and further work is required. In addition to the encouraging rock chip samples from the Mackerel Prospect, four random chip samples collected **north** of the Mackerel Prospect contained greater than 60% Fe.

To the north and east of the Mullet – Acacia Deposit mapping and sampling also commenced. Two random rock chip samples on outcropping hematite horizons recorded values greater that 60% Fe. The ferruginous horizons were generally between 2m to 5m thick and further work is also warranted in this area given the ridge continues along strike to the Eastern-Barramundi Deposit with only limited sampling over the entire strike length.

Other Buccaneer Archipelago Exploration Licenses

Discussions continue with the Kimberley Land Council to negotiate a Heritage and Access Agreement for E04/1265 and ELA04/1407 which are situated adjacent to the Koolan Island Exploration License.

Other

Elsewhere, Mount Gibson reviewed other iron ore exploration opportunities within Australia. Mount Gibson has been successful in a ballot for an Exploration Licence Application over prospective terrain in the Mid West region of Western Australia.

PROJECTS

Extension Hill Direct Shipping Ore ("DSO") feasibility study

As noted in Mount Gibson's previous quarterly, documentation of the Detailed Feasibility Study is materially complete with ongoing activity addressing implementation and operational issues.

Key critical path items driving the overall project timing remain:

- Ministerial environmental approval of the project PER;
- Availability of the rail unloader and rail network capacity; and
- DEC and DoIR Works Approval, post approval of the PER.

Activity during the quarter again focused on the preparation of documentation required for DoIR and DEC Works Approval applications. The bulk of this documentation relates to the preparation of detailed Environmental Management Plans and these documents are now complete save for any additional conditions that may be imposed as a result of the Ministerial Appeal process.

As previously reported Mount Gibson commissioned independent studies into regional rail capacity and rail unloading options at the Geraldton Port during the previous quarter. Further work expanding the detail in both study areas was undertaken during the quarter.

As a result of the regional rail capacity study identifying that the wider area rail system could provide capacity for Mount Gibson railing 6 Mtpa, the company commissioned Maunsell Engineers to undertake an assessment of the rail track condition between the Ruvidini rail siding currently being used as a railhead for the Tallering Peak operation) and the town of Perenjori. The initial findings of this review indicate that upgrading of the track between Ruvidini and Perenjori remains a viable option.

A number of community meetings were held at various locations in the Midwest region during the quarter to update stakeholders within the region of the current status of Mount Gibson's Extension Hill DSO Project. These meetings were well attended by many local residents.

Angela Dent
Company Secretary

About Mount Gibson Iron Limited (ASX Code: MGX)

Mount Gibson is Australia's leading independent iron ore producer, and a driving force behind the development of the Mid West iron ore industry in Western Australia. Mount Gibson is leading the consolidation of the junior iron ore industry, and with the successful takeover of Aztec Resources, will build a sustainable platform for future shareholder growth. Mount Gibson has a hematite mining operation at Tallering Peak operating at its targeted production rate and has commenced production from Koolan Island hematite mining operation. Mount Gibson's plans to develop the Extension Hill hematite project are well advanced. Current production rates from Mount Gibson exceed 3Mtpa with forecast production of 10Mtpa in 2010. Mount Gibson has firm commercial relationships with major Chinese steel industry customers, and with continued strong demand and prices the Company and its shareholders are ideally leveraged to benefit from further commodity price rises. The Company is generating strong cashflow and has a stable and experienced management team focused on delivering returns to shareholders.