QUARTERLY REPORT

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED ("MOUNT GIBSON")
QUARTERLY REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2007
ASX ANNOUNCEMENT 24 JANUARY 2008

HIGHLIGHTS

- Record unaudited half year net profit after tax of $32 million, a 58% increase compared with the previous half year
- Record quarterly ore sales of 1,317,000 wmt
- 20% ore production increase compared with the previous quarter including:
    - Record quarterly total material movements from Tallering Peak and Koolan Island operations;
    - Record quarterly rail and truck haulage from Tallering Peak; and
    - Record ore production from Koolan Island, a 27% increase compared with the previous quarter
- Cut back of Koolan Island Main Pit and seawall construction commenced
- Commonwealth Government environmental approval of the Mt Gibson Iron Ore Mine and Infrastructure Project finalised which includes mining Extension Hill Direct Shipping Ore
- Commencement of operations of the Extension Hill Direct Shipping Ore Project remains on schedule for the first quarter of 2009
- Continued infill drilling and extensional drilling success at Koolan Island
- Drilling program targeting extensions to the Koolan Island Main ore-body to commence

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Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

CORPORATE

Board

As announced on 24 April 2007 Mr Peter Bilbe advised Mount Gibson that he did not intend standing for re-election as a director at Mount Gibson's Annual General Meeting. Mr Bilbe's resignation was effective from 21 November 2007. The Board thanks Mr Bilbe for his valued contribution.

Financial

Mount Gibson is pleased announce a record unaudited half year net profit after tax of $32 million which represents a 58% increase compared with the previous half year.

OPERATIONS

Tallering Peak

Strong total material movement and ore production performance from Tallering Peak continued during the quarter which contributed to near record quarterly ore production of 943,000 wmt. Ore stockpiles were further expanded in preparation for the second half of the financial year when the Geraldton Port Authority ("GPA") is scheduled to commence dedicated iron ore ship loading from Berth 5. Commissioning of the new Berth 5 ship loading facility is in progress and loading of the first ship commenced on 23 January 2008 with Tallering Peak lump iron ore being loaded onto the iron ore carrier, Cape Courage.

Figure 1 – The first ship, Cape Courage, being loaded with Tallering Peak lump iron ore at the Geraldton Port's new Berth 5 ship-loading facility

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The commissioning of the Berth 5 ship-loader is critical to building iron ore export capacity from the Geraldton Port. Ship loading rates have generally declined from the Geraldton Port during the last 6 months which has been disappointing. Mount Gibson keenly anticipates significant improvement from the Geraldton Port Authority with the commissioning of the new Berth 5 ship-loader. Exports through the Geraldton Port are forecast to increase with the successful commissioning of the Berth 5 ship-loader, particularly in the June quarter as Mount Gibson reduces current ore stockpiles. Ore stockpiled at 31 December 2007 was 1,193,000 wmt.

Shipping rates were consistent with Mount Gibson's predicted first half annualised rate of 2.5Mtpa. Record quarterly crushing performance continued at Tallering Peak which exceeded scheduled 3Mtpa crushing rates.

Ore production continued the positive trend of the last twelve months during the December quarter with an increase of 14% when compared with the September quarter. The T6A cutback provided the majority of the high grade ore mined while significant quantities of medium grade blending ore was mined from the T2 area. Waste movement increased by 11% as the T2 cutback established larger work areas.

Production for the December quarter and comparison with previous quarters is detailed in the following table:

		Sept 2007 qtr 000's	Dec 2007 qtr 000's	TOTAL 07-08 000's
Mining				
Waste Mined	*bcm*	2,470	2,744	**5,214**
Ore Mined	*wmt*	825	943	**1,768**
Crushing				
Lump	*wmt*	502	450	**952**
Fines	*wmt*	280	323	**603**
Total	*wmt*	**782**	**773**	**1,555**
Transport to Mullewa Railhead				
Lump	*wmt*	482	388	**870**
Fines	*wmt*	177	309	**486**
Total	*wmt*	**659**	**697**	**1,356**
Transport to Geraldton Port				
Lump	*wmt*	423	382	**805**
Fines	*wmt*	74	280	**354**
Total	*wmt*	**497**	**662**	**1,159**
Shipping				
Lump	*wmt*	515	340	**855**
Fines	*wmt*	103	252	**355**
Total	*wmt*	**618**	**592**	**1,210**

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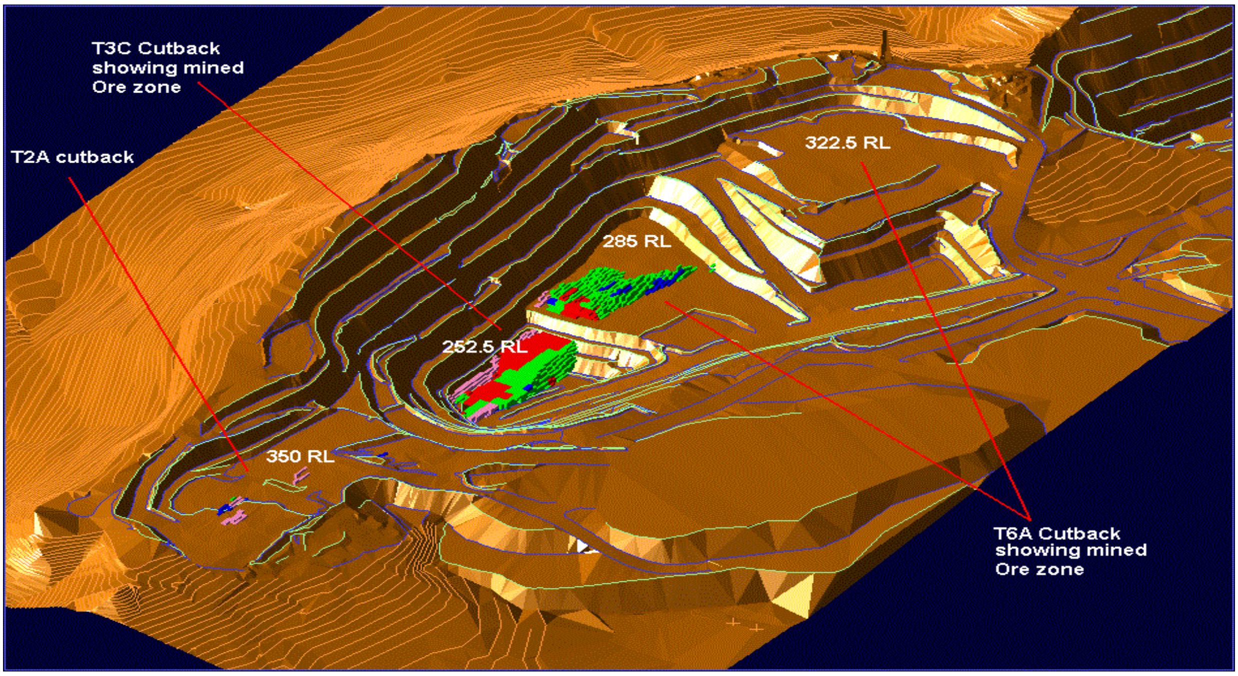

Figure 2 - *Main range mining as at the end of September 2007 quarter*

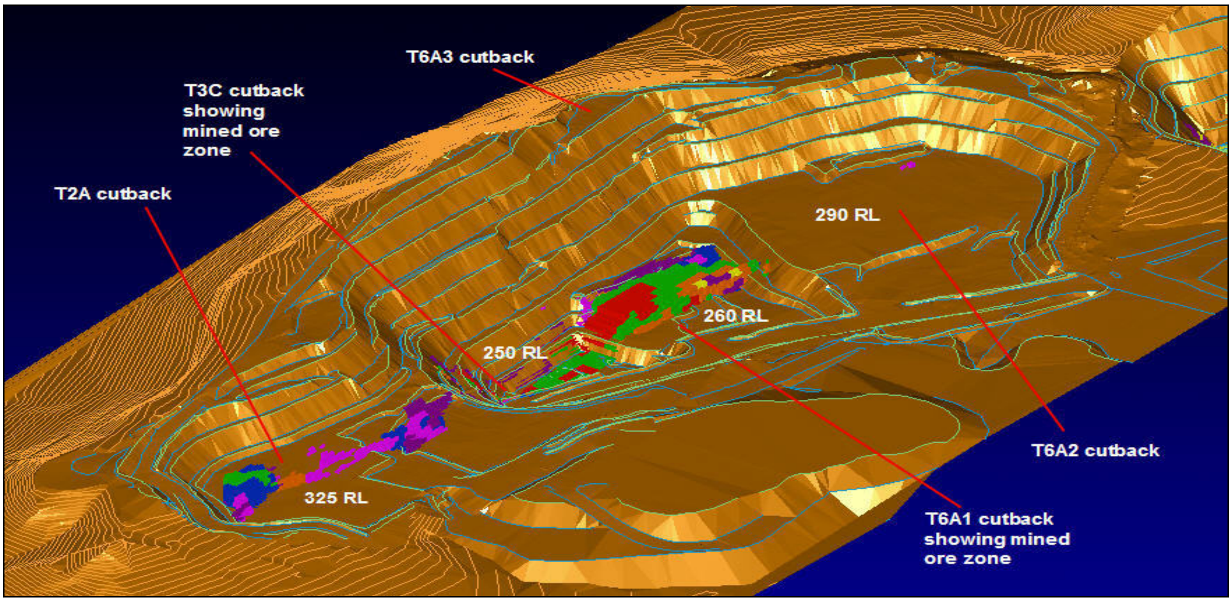

Figure 3 - *Main range mining as at the end of December 2007 quarter*

The comparison between Figure 2 and Figure 3 above shows progress in the December 2007 quarter.

The T3C and T6A1 floors are now predominately ore with production in these areas dependent upon ore demand for the crushing circuit. The priority of the quarter was the development of T6A2 to provide continuity of ore supply following the completion of T3C and T6A1 and the development of a ramp to access the T6A3 cutback. The T2 cutback has also provided a significant work area as well as a source of medium grade blending ore.

Figure 4 - Main range operation from western edge of T2

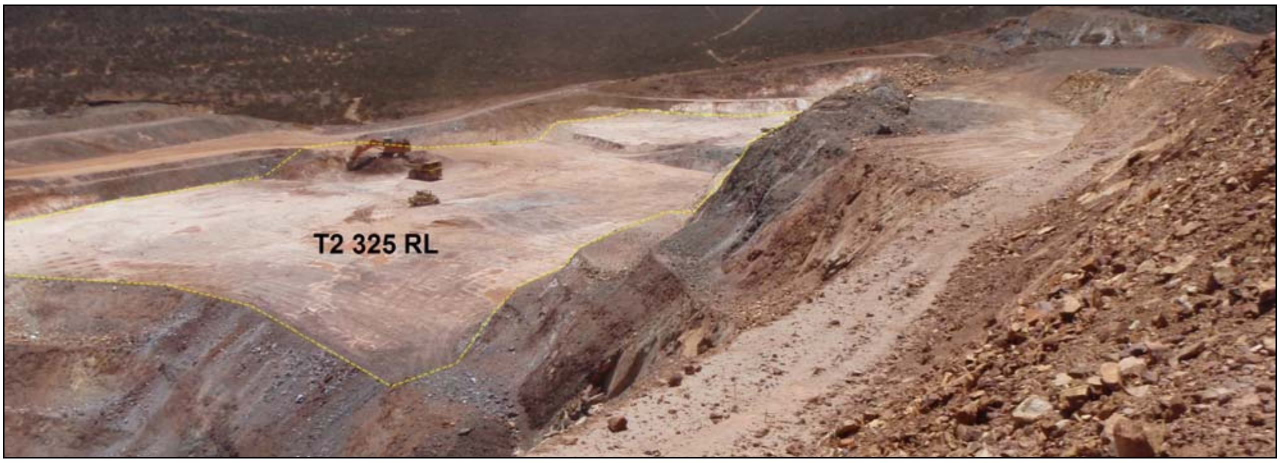

Figure 5 - T2 cutback from southern pit wall

No new exploration or resource drilling was undertaken during the quarter.

Remodelling of the T2 resource and improvements to the T6 model were completed during the quarter utilising the improved resource drilling database that was finalised last quarter and provides greater confidence in short term ore scheduling specifications and volumes.

Figure 6 shows the simplified geological interpretation on section 6637.5mE in the T2 orebody at Tallering Peak. This area represents the central, high grade core of the T2 mineralisation and has developed as a significant ore source during the December quarter.

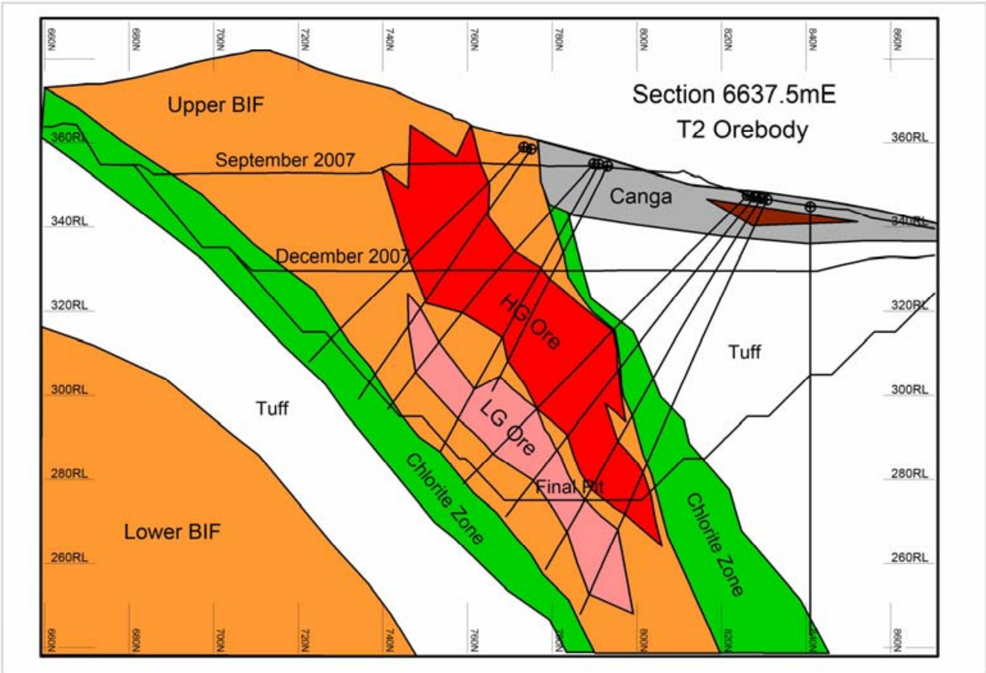

Figure 6 - Simplified Geological Interpretation Section 6637.5mE – T2 Orebody

Koolan Island

Koolan Island total material movement increased by 12% when compared to the September quarter, to a record total of 2.3 million bank cubic metres ("bcm"). Production focused on the Barramundi Limb of East Pit, the internal staged pit in Mullet, Mullet cut-back and Main Pit West. Mining of Main Pit's southern wall also commenced during the quarter with the top 16 metres of Crusher Hill and the top 6 metres of Blinker Hill removed during the quarter.

Record ore production was achieved for the quarter of 885,000 wmt which was a 27% increase on the previous quarter.

Quarterly crushing performance and shipping rates were at record levels, increasing 8% and 11% respectively when compared to the September quarter.

Koolan Island has entered the wet season from December to February when shipments are scheduled to decline however shipments will accelerate strongly once the wet season has ended and ore stocks are reduced.

Production for the December quarter is detailed in the following table:

		Sept 2007 qtr 000's	Dec 2007 qtr 000's	TOTAL 07-08 000's
Mining				
Waste Mined	*bcm*	1,779	2,143	**3,922**
Ore Mined	*wmt*	695	885	**1,580**
Crushing				
Lump	*wmt*	347	336	**683**
Fines	*wmt*	339	403	**742**
Total	*wmt*	**686**	**739**	**1,425**
Shipping				
Lump	*wmt*	406	274	**680**
Fines	*wmt*	248	452	**700**
Total	*wmt*	**654**	**726**	**1,380**

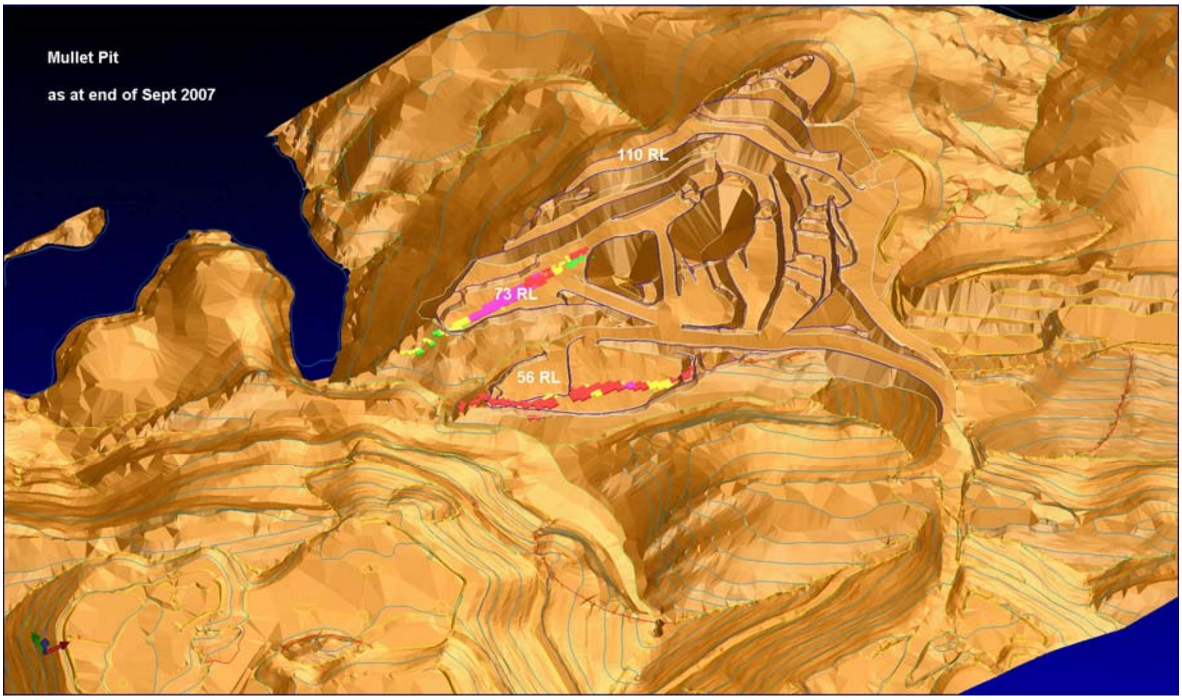

Figure 7 - *Mullet Pit as at end of September 2007*

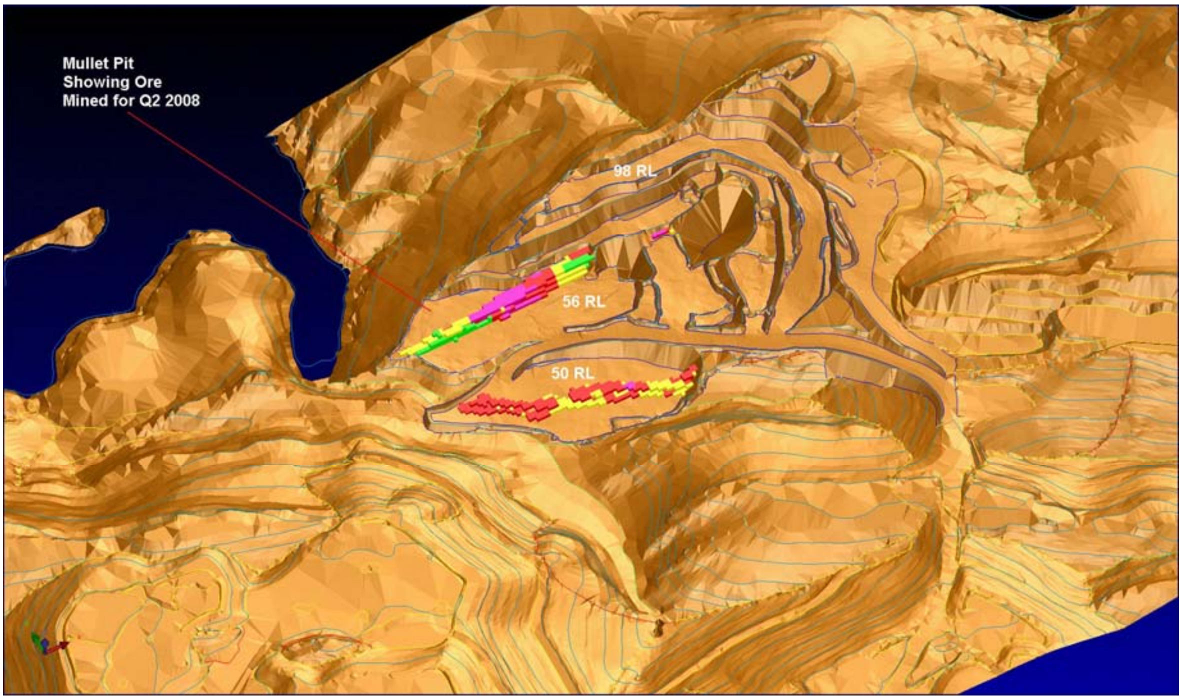

Figure 8 - *Mullet Pit as at end of December 2007*

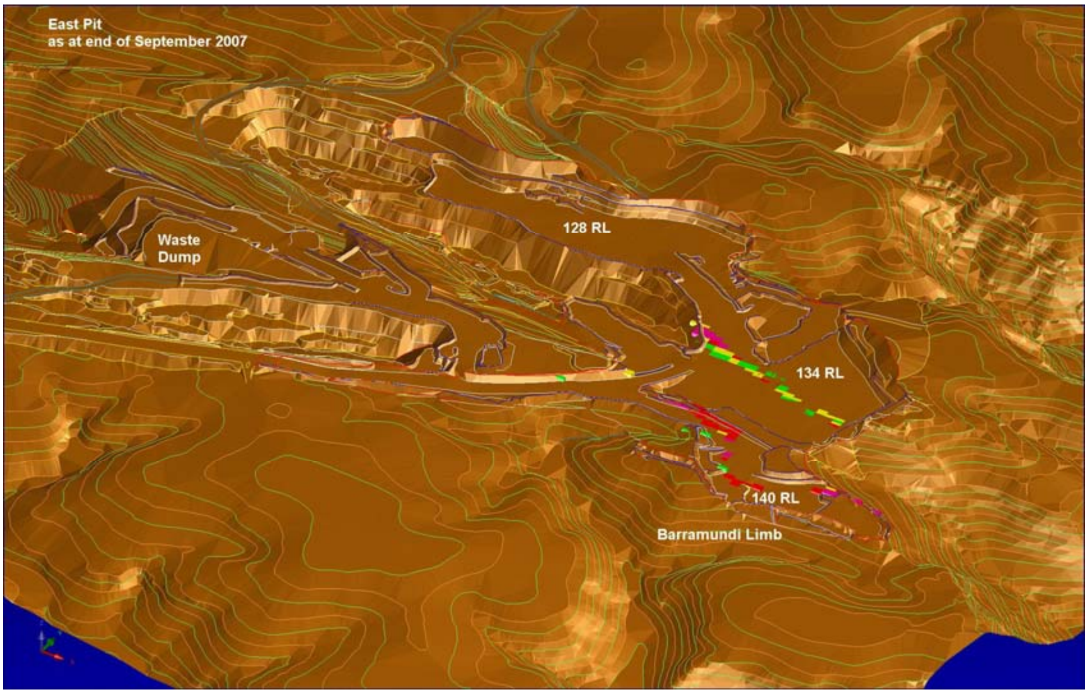

Figure 9 - East Pit as at end of September 2007

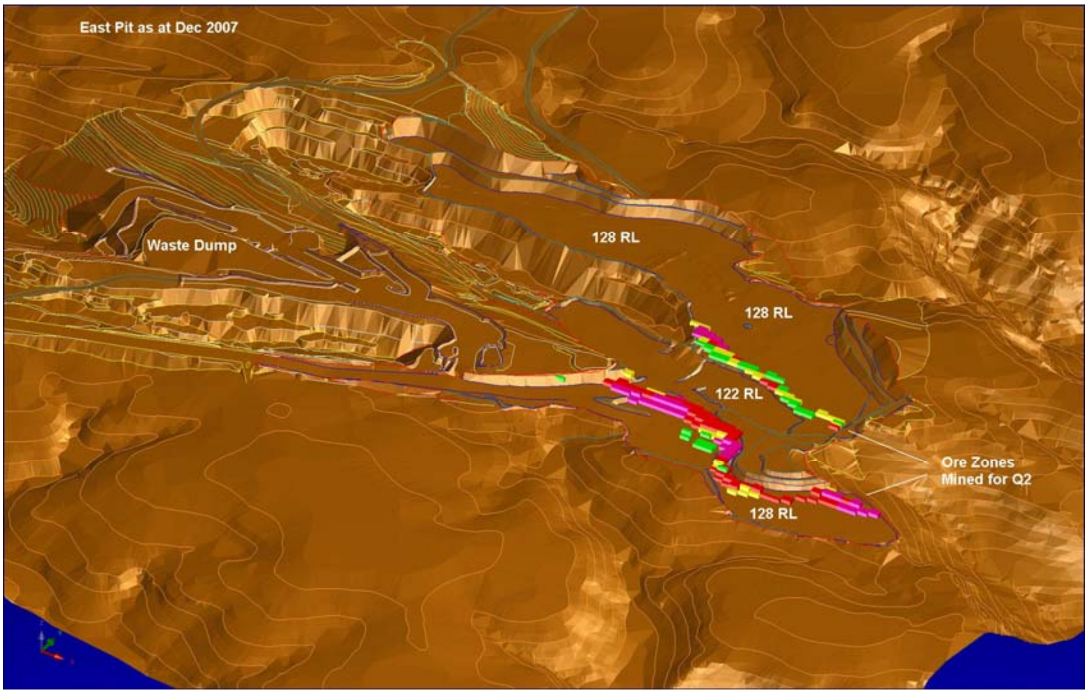

Figure 10 - East Pit as at end of September 2007

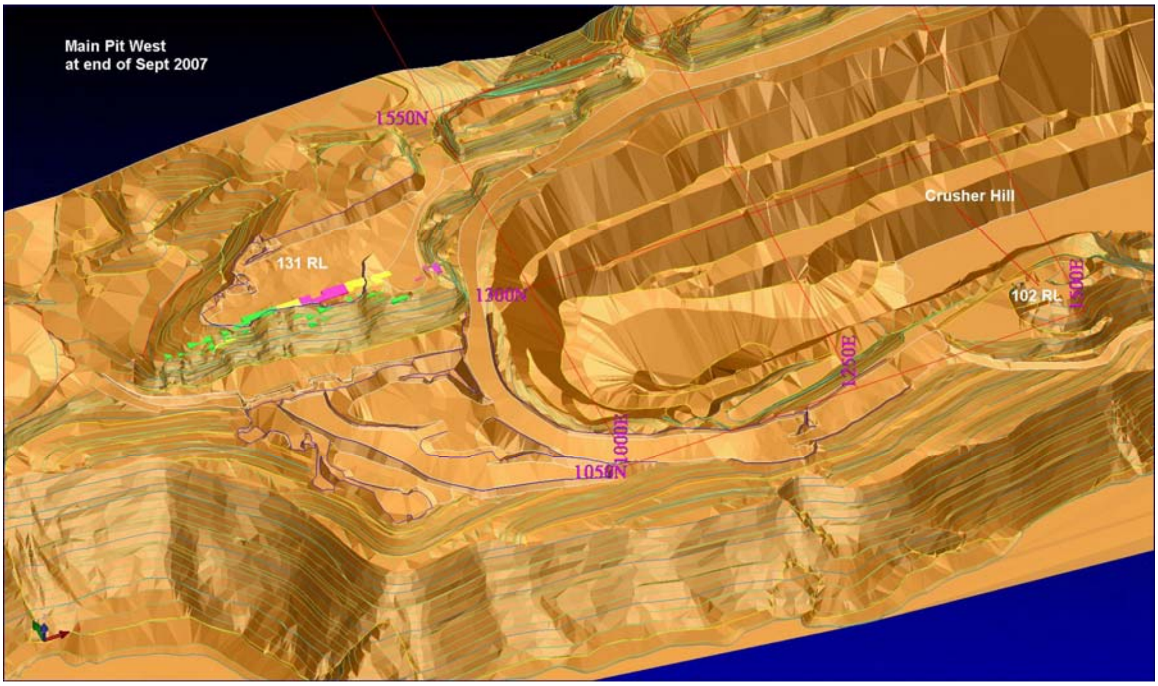

Figure 11 - *Main Pit West as at end of September 2007*

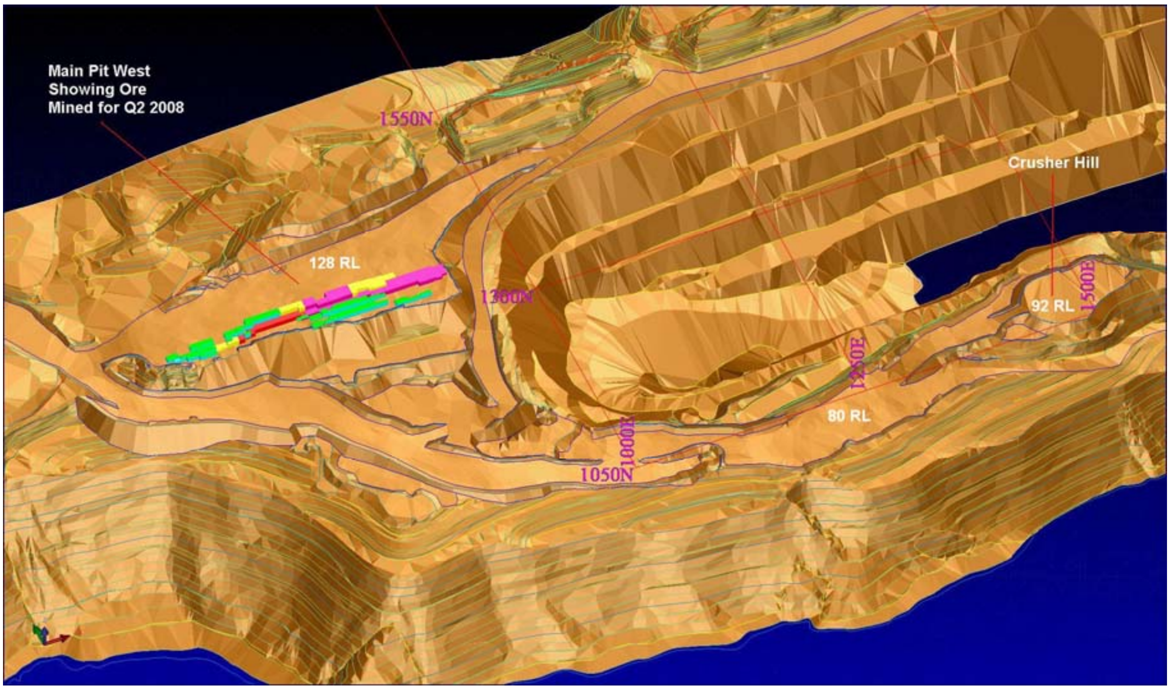

Figure 12 - *Main Pit West as at end of December 2007*

Figure 13 - *Mullet & Acacia Pits – December 2007*

Figure 14 - *Main Pit West – December 2007*

Main Pit Re-entry

The following approvals and licenses were obtained from the relevant State Government departments during the quarter:

- A Works Approval for the dewatering of Main Pit from the Department of Environment and Conservation;
- The Mining Proposal to construct the seawall across Arbitration Cove from the environmental division of the Department of Industry & Resources;
- The Project Management Plan to construct the seawall from the Department of Consumer & Employee Protection;
- The Project Management Plan to rehabilitate the Main Pit footwall from the Department of Consumer & Employee Protection; and
- An interim Jetty License for the main ship loading facility from the Department of Planning & Infrastructure.

The various contractors engaged to construct the seawall together with the specialist equipment required for this work was mobilised to site during the quarter with work on construction of the seawall commencing in mid December.

Both the contractors engaged to undertake dewatering of the main pit and the contractor engaged to undertake rehabilitation of the Main Pit footwall commenced mobilising their equipment to site in December.

Figure 15 – Seawall access ramp placed across tidal channel into Main Pit established in December 2007

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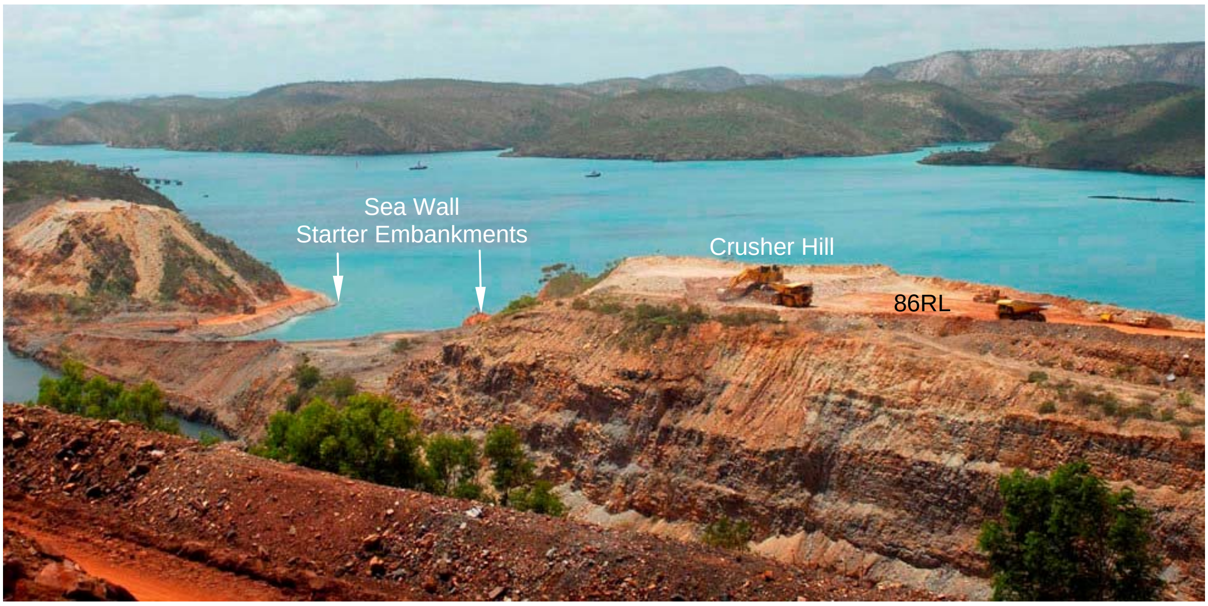

Figure 16 - *Crusher Hill mining commences the Main Pit cut back and provides fill for Main Pit seawall*

Figure 17 - *Blinker Hill mining commences the Main Pit cut back and provides fill material for Main Pit seawall*

Figure 18 – Main Pit seawall construction commencing December 2007

Community Relations

Mount Gibson continued its planned community relations programs during the quarter with the completion of the second 17-week Job Readiness program and the engagement of Mr Donny Woolagoodja (a senior elder for the Dambimangarri people) as a Ranger and cultural advisor.

Figure 19 – Donny Woolagoodja

Exploration

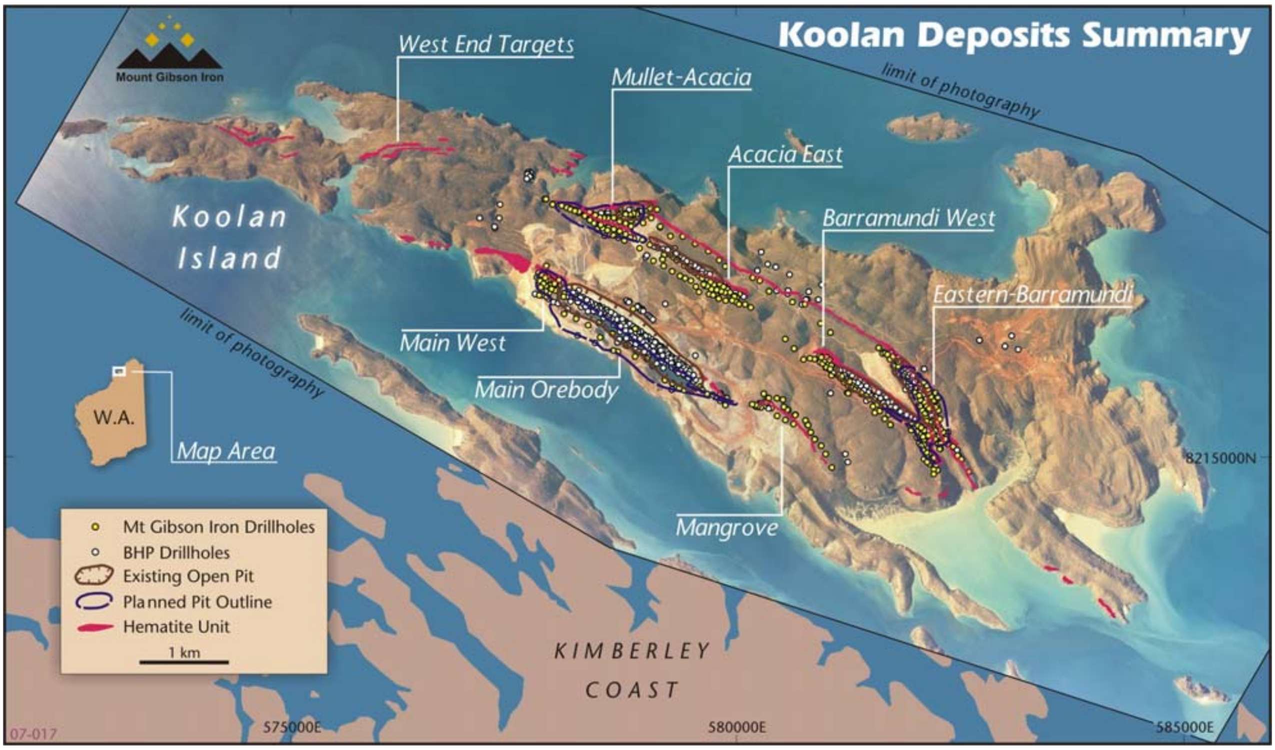

Figure 20 - Koolan Island deposit and drilling summary

The 2007 resource development and exploration drilling programme on Koolan Island was completed in early December and the RC drill rig was demobilised.

The majority of the drilling focussed on the Main West, Barramundi West, Barramundi South, Acacia, Acacia East, Mullet-Acacia and Eastern-Barramundi deposits. Drilling included both infill holes to gain greater pierce point density to enhance the Mineral Resource category of the hematite horizons from Inferred to Indicated within the planned pit shells and extensional holes to evaluate areas where the mineralisation remains open along strike and down dip. In addition exploration holes tested hematitic outcrop and sub-crop anomalies in the north-eastern limb of the Mullet-Eastern anticline.

A total of 23,967 metres of drilling was completed in 272 holes during 2007.

Deposit / Prospect	Holes	Metres
Acacia	19	862
Acacia East	37	4,143
Barramundi South	16	926
Barramundi West	24	1,643
Eastern-Barramundi	90	8,071
Main West	21	1,985
Mullet-Acacia	41	3,949
Mullet-Eastern Limb	22	2,167
Barramundi SE Extn	2	221
Total	272	23,967

The majority of sample assays have been received. Better intercepts from assays received to date are tabled below (55% Fe cut off) and the deposit locations are illustrated on figure 20.

Drilling is planned to resume at Koolan Island in early April 2008 following end of the wet season.

Barramundi West Deposit

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC576	27	34	7	57.0	7.6	6.7	0.04	0.03
	59	65	6	61.4	7.8	2.7	0.04	0.01
PKRC579	69	74	5	65.7	3.5	0.9	0.05	0
PKRC581	67	87	20	62.2	4.5	3.7	0.08	0.01
PKRC582	64	73	9	67.6	2.2	0.5	0.03	0
PKRC583	43	51	8	65.2	3.8	1.5	0.03	0.01
PKRC584	83	90	7	67.5	2.8	0.6	0.02	0.01
PKRC585	66	73	7	66.6	3.0	1.0	0.04	0.01
PKRC586	56	62	6	55.3	13.9	4.2	0.06	0.02
PKRC587	69	76	7	64.0	6.1	1.0	0.05	0.02
PKRC588	47	55	8	62.4	8.4	1.2	0.04	0.01
PKRC590	76	81	5	66.1	3.7	0.8	0.06	0.01

At Barramundi West, intercepts in PKRC581 and 582 are oblique but show considerable thickening in the ore zone at depth toward the southwest. The upper 4m intercept in PKRC576 is within a BHP waste or low grade dump while the deeper intercept is insitu hematite mineralisation. Mineralisation remains open at depth at this planar southwest dipping deposit. Infill and extensional drilling has closed the drill hole intercept spacing to 50 metres by 25 metres and the Barramundi West Deposit Mineral Resource model is currently being updated.

Acacia East Deposit

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC535	66	87	21	63.2	8.3	0.3	0.00	0.01

Infill holes at Acacia East confirm the geological model interpretations in the current Mineral Resource for the deposit. The majority of the deposit is now drilled to 50 metres by 25 metres hole spacing.

Eastern-Barramundi Deposit

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC500	75	96	21	61.2	6.5	4.4	0.04	0.02
PKRC501	28	40	12	62.5	5.6	3.7	0.04	0.02
PKRC502	19	50	31	61.7	5.8	4.6	0.04	0.02
PKRC503	48	77	29	63.2	5.1	3.7	0.02	0.02
PKRC504	7	17	10	64.8	3.5	2.9	0.03	0.02
	23	29	6	60.4	6.6	5.2	0.04	0.03
PKRC505	16	42	26	56.8	9.2	6.5	0.05	0.02
PKRC506	83	94	11	62.7	5.2	3.5	0.05	0.02
PKRC507	80	96	16	61.0	6.2	4.9	0.04	0.02
PKRC507	99	126	27	61.0	7.1	4.4	0.05	0.02
PKRC508	4	15	11	61.3	5.9	4.3	0.06	0.02
PKRC509	97	109	12	63.4	4.7	3.0	0.07	0.02
PKRC511	0	8	8	62.9	5.9	3.0	0.04	0.02
PKRC511	46	62	16	62.9	5.2	2.8	0.08	0.02
PKRC512	22	29	7	62.7	4.8	4.2	0.04	0.02
PKRC512	51	77	26	62.5	5.1	4.1	0.04	0.02
PKRC513	76	107	31	58.8	8.3	5.4	0.03	0.02
	112	123	11	62.9	7.2	2.7	0.03	0.02
PKRC514	24	30	6	63.4	5.0	3.0	0.04	0.02
PKRC515	45	85	40	63.2	7.4	1.3	0.01	0.01
	99	111	12	59.5	11.3	2.0	0.08	0
PKRC517	12	18	6	61.9	5.1	4.1	0.01	0.01
	22	31	9	58.5	7.2	5.1	0.04	0
	48	89	41	61.4	5.8	3.9	0.04	0
PKRC518	80	92	12	58.6	12.7	2.1	0.04	0.01
PKRC519	42	54	12	61.7	5.1	3.6	0.08	0
	66	73	7	60.1	6.6	4.7	0.05	0
	77	82	5	61.7	7.6	2.5	0.05	0.02
	88	120	32	59.5	12.6	1.3	0.02	0.01
PKRC520	32	80	48	62.6	5.4	3.2	0.04	0
PKRC521	24	59	35	65.2	3.6	2.0	0.03	0
	79	87	8	57.5	13.7	2.3	0.03	0.01

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC522	31	48	17	61.0	9.0	2.3	0.03	0
PKRC523	36	78	42	62.5	7.2	2.2	0.03	0.01
PKRC524	0	16	16	57.8	8.5	6.1	0.04	0.01
PKRC525	16	45	29	62.0	5.7	3.7	0.04	0
PKRC527	48	74	26	61.8	5.4	3.7	0.07	0
PKRC528	60	92	32	65.1	3.5	1.9	0.03	0
PKRC529	103	132	29	62.4	5.7	3.3	0.03	0.01
PKRC530	122	144	22	60.2	10.0	2.3	0.03	0.01
PKRC532	62	82	20	58.7	13.4	1.5	0.03	0.01
PKRC534	22	30	8	65.9	2.9	1.5	0.01	0.01
PKRC600	19	26	7	62.6	5.1	3.5	0.05	0.02
PKRC601	28	35	7	62.1	5.5	3.9	0.04	0.02
PKRC603	2	9	7	64.3	3.9	2.3	0.03	0.02
PKRC604	20	26	6	61.6	5.9	4.6	0.02	0.01
PKRC605	29	34	5	64.5	5.1	1.6	0.03	0.03
PKRC619	59	65	6	62.6	6.8	2.0	0.03	0.02
PKRC620	45	50	5	61.6	6.3	3.8	0.04	0.01
PKRC627	19	33	14	62.0	5.9	3.1	0.04	0.02
PKRC636	23	33	10	63.9	5.2	1.8	0.06	0.01
	42	50	8	63.4	5.3	2.3	0.03	0.01
PKRC637	62	113	51	65.8	3.1	1.6	0.03	0.01
PKRC638	39	70	31	64.6	4.2	2.1	0.03	0.01
PKRC639	30	53	23	66.4	2.3	1.4	0.06	0
PKRC640	35	43	8	64.9	3.7	1.6	0.05	0
	49	54	5	58.8	8.7	4.2	0.04	0.01
PKRC642	74	105	31	65.0	4.3	1.4	0.02	0.01
PKRC643	91	125	34	59.9	7.7	4.4	0.04	0.01
PKRC645	49	65	16	61.7	9.0	1.4	0.05	0
PKRC646	76	96	20	55.6	18.0	1.2	0.03	0.01
PKRC649	158	173	15	62.2	7.7	2.1	0.04	0.01
PKRC667	37	42	5	63.0	4.9	2.7	0.03	0.01

Drill holes in Eastern-Barramundi Deposit are all infill and extensional drilling. The spatial location of intercepts in this central area of the Eastern limb of the deposit suggests faulting and folding resulting in oblique intercepts of the hematite horizon. Some of the holes in Eastern-Barramundi were terminated in hematite due to drilling difficulties in friable ore beneath the water table at depth. The Eastern-Barramundi Deposit Mineral Resource model is being updated.

Mullet-Acacia Deposit

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC489	84	106	22	60.9	10.7	0.7	0.06	0.01
PKRC490	52	63	11	57.9	15.0	1.4	0.03	0.01
PKRC491	83	102	19	66.5	2.8	1.3	0.01	0.01
PKRC492	66	78	12	65.2	4.6	1.4	0.01	0.01

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC493	89	100	11	67.6	1.8	1.2	0.01	0.01
PKRC494	127	150	23	60.6	10.3	2.0	0.01	0.01
PKRC497	130	137	7	65.9	4.6	0.9	0.00	0.01
PKRC498	133	145	12	61.3	10.1	0.9	0.01	0.01
PKRC499	51	62	11	55.9	19.9	0.2	0.00	0.01

Holes 498 and 499 were drilled on the Acacia limb of the Mullet-Acacia Deposit anticline. Other holes were all drilled on the Mullet limb. The excellent results in holes PKRC491 and 494 represent true widths. Although deep, both intercepts indicate greater mineralisation thicknesses than in the current model. The Mullet-Acacia Deposit Mineral Resource model is being updated.

Mullet-Eastern Fold Limb Exploration

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)
PKRC608	19	39	20	62.4	9.9	2.7	0.04	0.01
PKRC609	23	39	16	61.9	6.0	3.1	0.04	0.01
PKRC611	22	43	21	57.7	15.4	0.8	0.02	0.01

Mapping and sampling continued along the north-eastern limb of the Mullet-Eastern anticline which is the strike continuation from the northwest end of the historical Eastern pit. Outcrop, subcrop and float rock chip samples of hematitic sandstone collected along the ridge returned assays of >60% Fe over a distance of more than 400 metres strike.

Three 50 metre spaced lines of exploration drill holes were completed across the sampled ridgeline. Better intercepts from the limited assay results received to date indicate a high-grade, coherent, hematite horizon over 100 metres strike length. The horizon remains open to the northwest and further drill testing is planned for 2008.

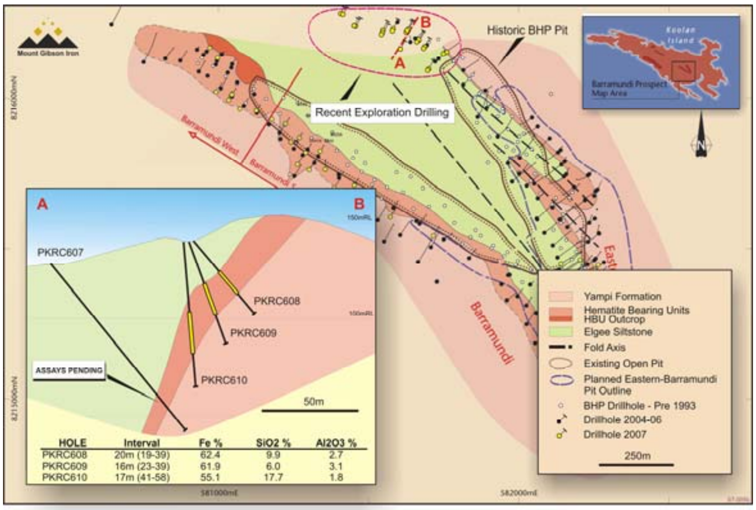

Figure 21 - Mullet-Eastern Fold Limb exploration drill holes locations in relation to the Eastern-Barramundi and Barramundi West deposits

Main Pit Extensional Drill Program

The Main Pit iron ore mineralised surface is equivalent to some of the highest quality direct ship ore ("DSO") in the world with 67% Fe, 3.6% SiO_2, 0.62 Al_2O_3, 0.015 P, 0.004 S and LOI 0.31. The extension of Main ore-body down dip provides a significant opportunity to materially increase mine Reserves.

Geology

The Main Pit ore-body on Koolan Island provides approximately 205,000 tonnes of ore per vertical metre. The depth extent and geometry of the mineralised surface has been defined to a maximum of -180mRL, approximately 20 metres below the final pit design depth to be mined during the next 8 years, and remains open at depth.

Extending the known dip extent an additional 200 metres has the potential to yield a further 40 million tonnes of known resource. This would be adequate to trigger more detailed mining studies. An initial 6-hole drilling program has been designed to test the mineralised surface at depths of between -250 and -300mRL along a strike length of 1.5km. Targeted intersections are between 100m and 250m down-dip from the closest existing drill hole intersections, with one hole extended to test the second interpreted position of the mineralised surface.

Conceptually the Main ore-body could extend 400m below the designed final pit floor at which point the synclinal structure rolls to the north east and inverts to surface forming the Mullet and Acacia ore surfaces which is depicted in figure 22 below.

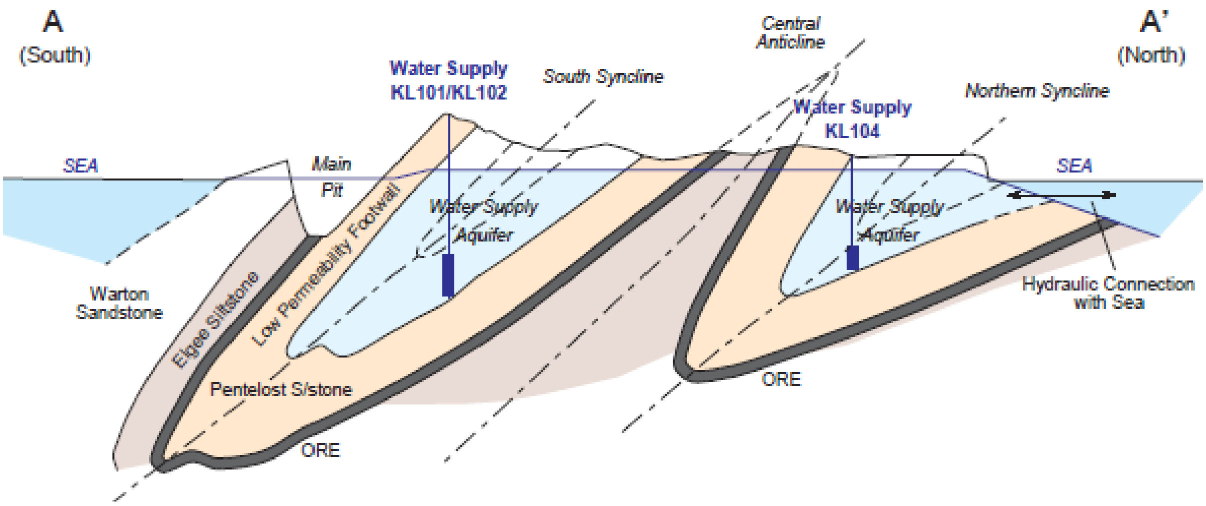

Figure 22 – Koolan Island synclinal mineralised surfaces

Section AA', if mineralised down dip of Main, Mullet and Acacia provides a quality exploration target for large Resource tonnage given the grade and quality of the current ore sources is pervasive at depth.

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Previous Studies

In 1983 and 1991 BHP commissioned 3 studies assessing the potential extension of the Main ore-body at Koolan Island. Each study recommended that drilling below the designed pit floor be completed to determine the size and quality of the resource and also obtain geotechnical and hydrological data that could be incorporated into detailed design and analysis. Proposed drilling was not commenced.

Drill Program

A plan view of 6 proposed exploration holes (yellow stars) is presented below in Figure 23.

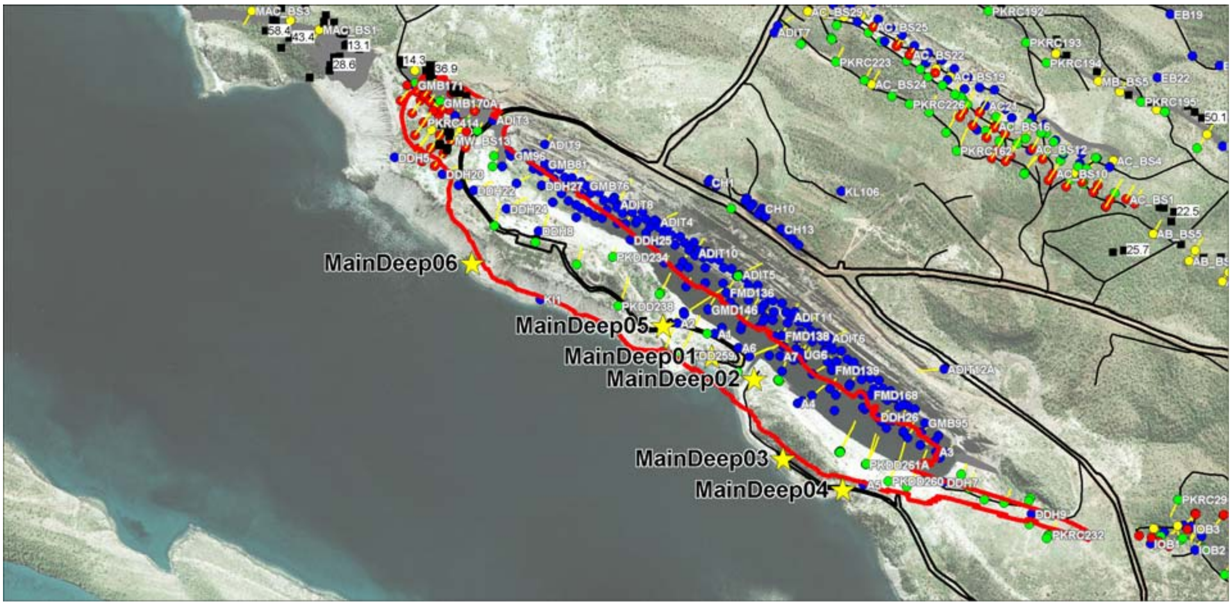

Figure 23 – Koolan Island Main Pit planned extensional drill-hole surface locations

Drill holes will be drilled as RC-pre-collared HQ and NQ diamond. Collar locations are subject to site inspection and access constraints and modified drill-hole locations may eventuate. Drilling will commence in the first half of 2009, subject to suitable drill rig availability.

Extension Hill Direct Shipping Ore ("DSO") Project

WA Environment Minister Templeman issued Ministerial Statement 753 on 24th October 2007 to correct several errors in the previously issued Statement No. 750 thereby finalising State government environmental approval of the Mt Gibson Iron Ore Mine and Infrastructure Project.

Commonwealth government approval for the Project was received on 18th December 2007.

Environmental Management Plans ("EMP's") for the Project required by Ministerial Statement 753 were submitted to the Department of Environment and Conservation ("DEC") on receipt of final State government approval and DEC's comments in relation to the Project EMP's have been received. DEC comments are currently being assessed and it is anticipated that the revised EMP's will be resubmitted for approval in late January 2008.

As formal approval of the EMP's is required prior to 'ground disturbing activities' timely access to the Project site remains a critical project milestone.

The Project Management Plan ("PMP") for construction and operation of the Extension Hill mine was completed during the quarter and this plan has been lodged with the Department of Consumer and Employment Protection (DoCEP) for approval.

The Mining Proposal required by the Environmental Division of the Department of Industry & Resources is in the final stages of preparation and it is expected that this proposal will be lodged in January 2008.

An application to transport processed hematite ore from the Extension Hill mine site to the company's facilities at Geraldton Port was lodged with the Environmental Protection Authority ("EPA") during the quarter. The application is proceeding through the ARI (Assessment on Referred Information) process nominated by the EPA.

The detailed design being carried out by Maunsell Australia of the storage and handling facilities at Berth 5 is continuing. Tenders were called for the civil works for the ore storage shed at Geraldton during the quarter and the contract for these works is scheduled to be awarded in January 2008.

Contract negotiations and document preparation for the above rail services and rail track access agreements continued during the quarter and are anticipated to be completed next quarter.

A contract has been awarded for the supply, construction and operation of a 130 man accommodation village for the Project. Construction will commence this quarter subject to permitting approvals.

A separate contract for the supply and erection of the main office complex at the mine site has also been awarded during the quarter. Construction will commence this quarter subject to permitting approvals.

An exploration drilling program to locate suitable sources of process and potable water for the mine was undertaken during the quarter. Preliminary measurements undertaken whilst drilling these exploration bores indicate they will yield sufficient quantities of process and potable water to meet the mine's requirements. Detailed yield tests are scheduled for late January 2008.

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A program of work to recommence resource definition drilling at Extension Hill was submitted to the DoIR during the quarter. Approval to commence Stage 1 of this program is expected in late January 2008. The commencement of operations at Extension Hill remains on schedule for the first quarter of 2009 whilst an upgrade of rail unloading facilities necessary to ensure greater utilisation of the latent capacity at the Geraldton Port remains with the Geraldton Port Authority to construct.

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.

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