

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED (“MOUNT GIBSON”) QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2009 ASX ANNOUNCEMENT 21 OCTOBER 2009

HIGHLIGHTS

- Total material movement up 18% on the previous quarter
- Ore production up 15% on the previous quarter and up 25% on the corresponding quarter last year
- Ore crushed up 12% on the previous quarter and up 2% on the corresponding quarter last year
- Shipped ore in line with previous quarter and up 16% on the corresponding quarter last year
- Lump sales accounted for 52% of ore sales and was up 42% on the previous quarter and up 21% on the corresponding quarter last year
- Koolan Island Western End heritage clearance completed during the quarter

QUARTERLY REPORT



OPERATIONS

Tallering Peak

Tallering Peak continued the previous quarter's strong physical performance. Ore tonnes mined and crusher throughput both increased compared to the previous quarter.

Waste movement decreased 9.2% compared to the previous quarter reflecting an increased focus on ore mining. Ore production was 69.8% higher compared with the previous quarter and 33% higher than the corresponding quarter last year with the majority of ore being sourced from the T6A2 cutback. Ore production was increased to ensure necessary crushed ore stocks are in place prior to a scheduled 17 day shutdown of the crushing plant in late November for planned maintenance.

The T6A1 cutback was completed during the September quarter. The production focus for the December quarter is the T6A2 and T6A3 cutbacks. Additional ore will also be sourced from the T5 pit.

Crusher throughput increased by 12.8% compared to the previous quarter and was 7% higher than the corresponding quarter last year whilst ore sales were 4% less than the previous quarter but 10% higher than the corresponding quarter last year. Pleasingly lump ore sales were 9% higher than the previous quarter and 44% higher than the corresponding quarter last year.

Production for the September 2009 quarter is detailed in the following table:

		Sept 2009 qtr 000's	TOTAL 09-10 000's
Mining			
Waste Mined	bcm	1,509	1,509
Ore Mined	wmt	1,063	1,063
Crushing			
Lump	wmt	431	431
Fines	wmt	425	425
	Total	wmt	856
Transport to Mullewa Railhead			
Lump	wmt	421	421
Fines	wmt	277	277
	Total	wmt	698
Transport to Geraldton Port			
Lump	wmt	546	546
Fines	wmt	179	179
	Total	wmt	725
Shipping			
Lump	wmt	507	507
Fines	wmt	213	213
	Total	wmt	720

QUARTERLY REPORT



Comparison between figure 1 and figure 2 shows the progress of Talling Peak's Main Range mining operations in the September 2009 quarter.

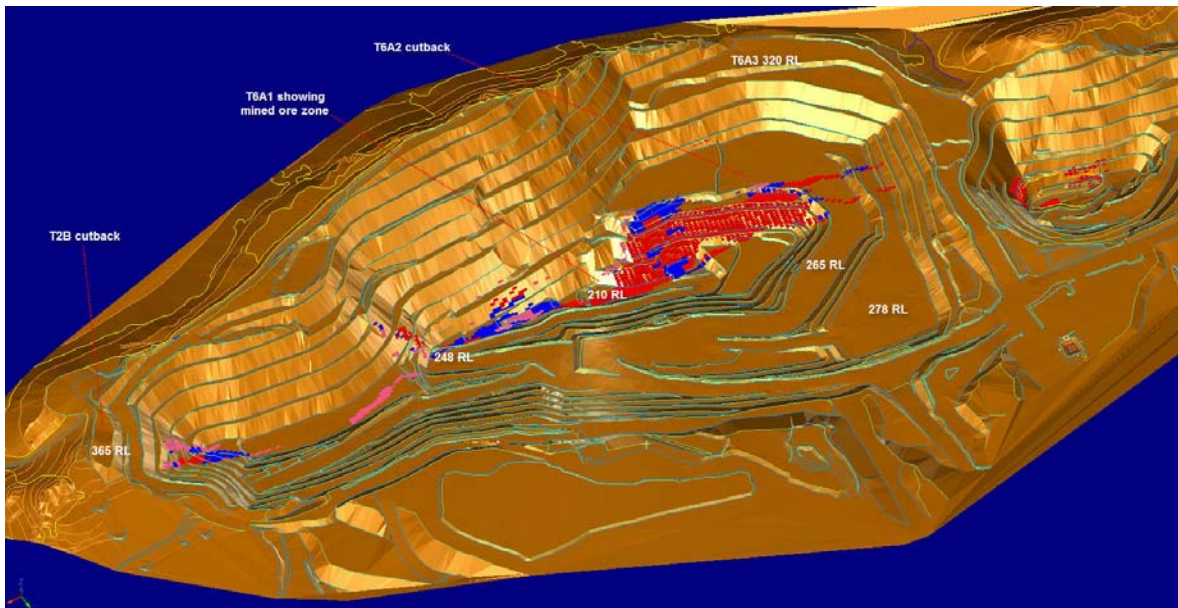


Figure 1 - Main range mining as at the end of the June 2009 quarter

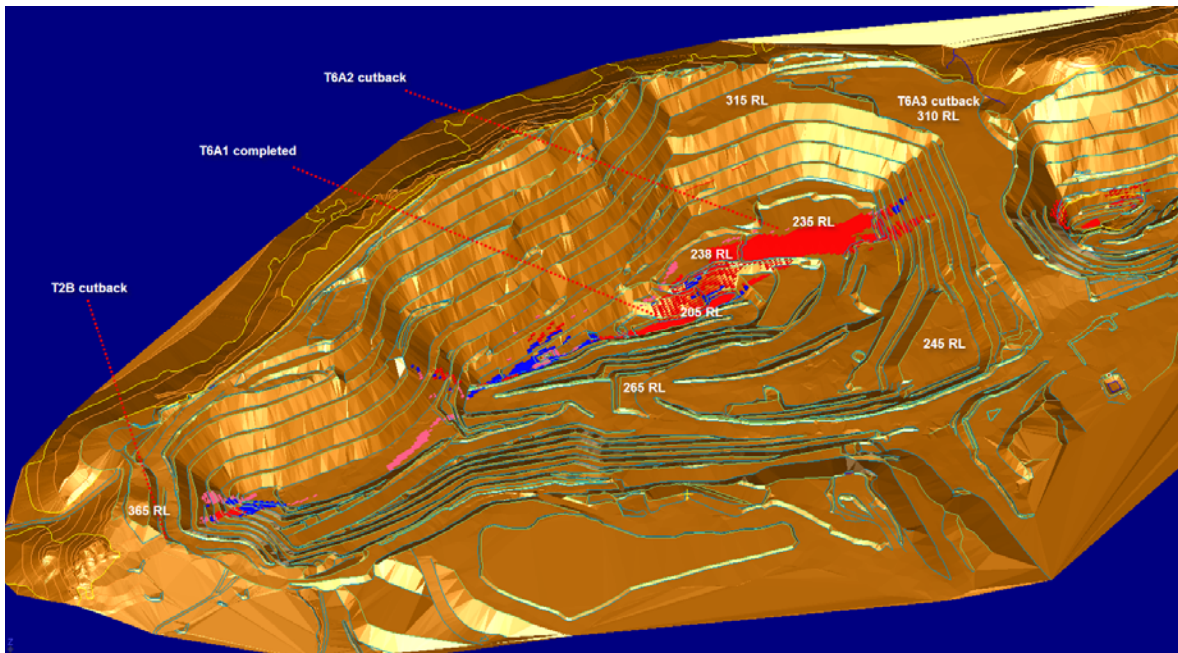


Figure 2 - Main range mining as at the end of the September 2009 quarter

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QUARTERLY REPORT



Figure 3 - Main range operation from western edge of T6



Figure 4 - T6A2 cutback from main range operation north wall

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Koolan Island

Koolan Island continued to perform strongly during the September quarter with total material movement increasing to a record high of 4.3 million BCM which represents a 29% increase on the previous quarter and 4% increase on the corresponding quarter last year. Ore production was 13% below the previous quarters record level and 17% above the corresponding period last quarter.

Ore crushed was at near record levels of 962,290 tonnes which represents a 10% increase on the previous quarter, whilst ore sold was 2% higher than the previous quarter and 21% higher than the corresponding quarter last year.

High grade ore was predominantly sourced from East Pit and Mullet Pit whilst development of the southern cutback of Mullet Pit progressed as scheduled. Development of the Barramundi West Pit was also progressed during the quarter as scheduled and will become an additional source of ore during the next quarter. Development of the Main Pit cutback recommenced during the quarter which is providing waste material for the construction of the Main Pit seawall. Rehabilitation of Main Pit and dewatering of Main Pit also recommenced during the quarter.

Shipments for the December quarter are expected to be similar to those of the September quarter however the monsoonal wet season generally runs from December to March and may impact shipments should higher than average rain events occur or cyclonic activity occur late in the period.

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

		Sept 2009 qtr 000's	TOTAL 09-10 000's
Mining			
Waste Mined	bcm	3,974	3,974
Ore Mined	wmt	1,054	1,054
Crushing			
Lump	wmt	298	298
Fines	wmt	664	664
Total	wmt	962	962
Shipping			
Lump	wmt	355	355
Fines	wmt	581	581
Total	wmt	936	936

QUARTERLY REPORT

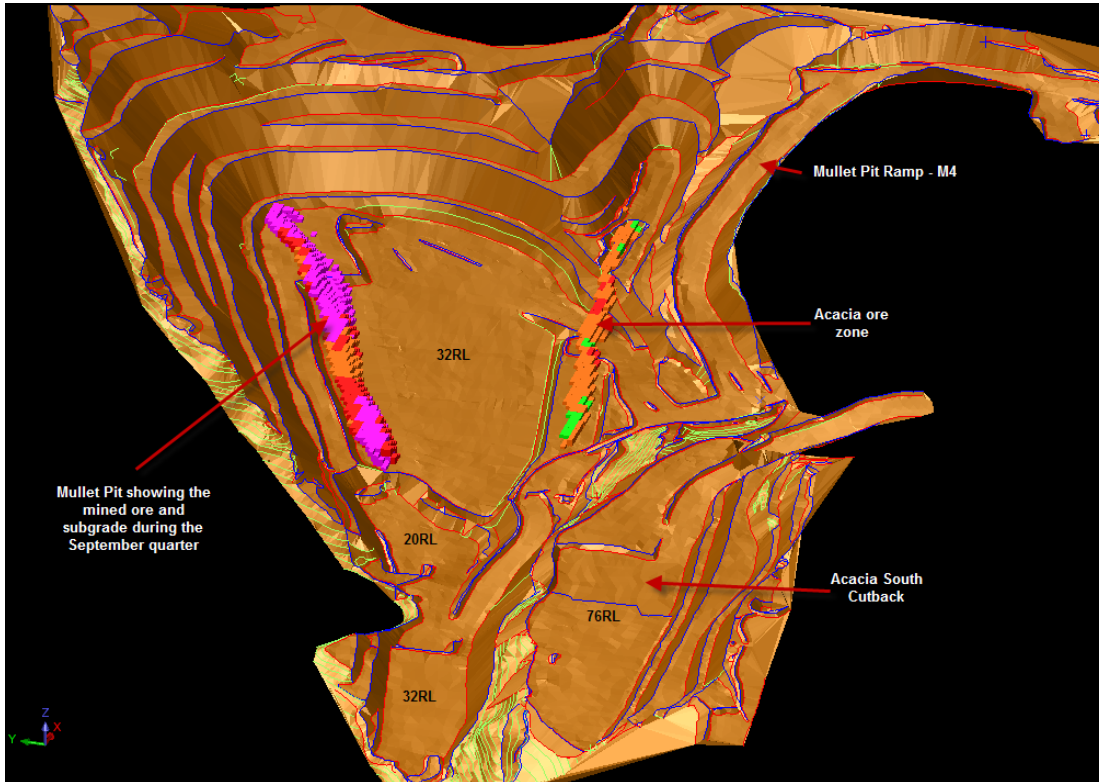


Figure 5 - Mullet Pit at the end of September 2009 looking east and the adjoining Acacia South cutback



Figure 6 - Mullet Pit at the end of September 2009 showing bench development

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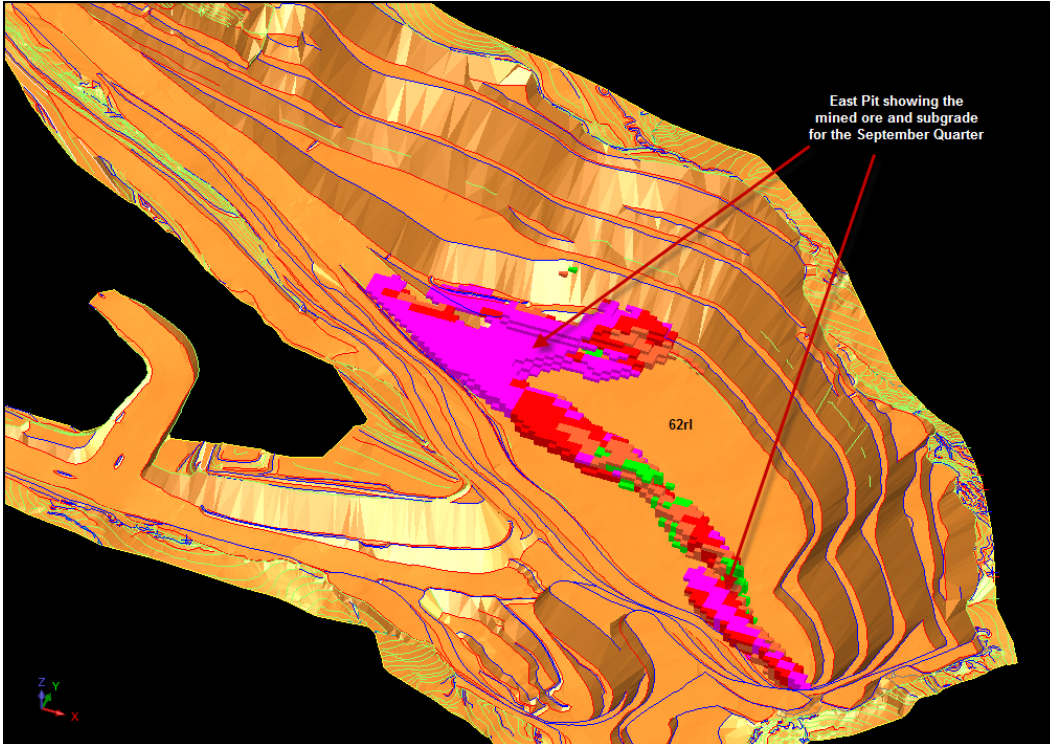


Figure 7 - Eastern Pit at the end of September 2009 looking north west



Figure 8 - Eastern Pit at the end of September 2009 looking north west showing bench development

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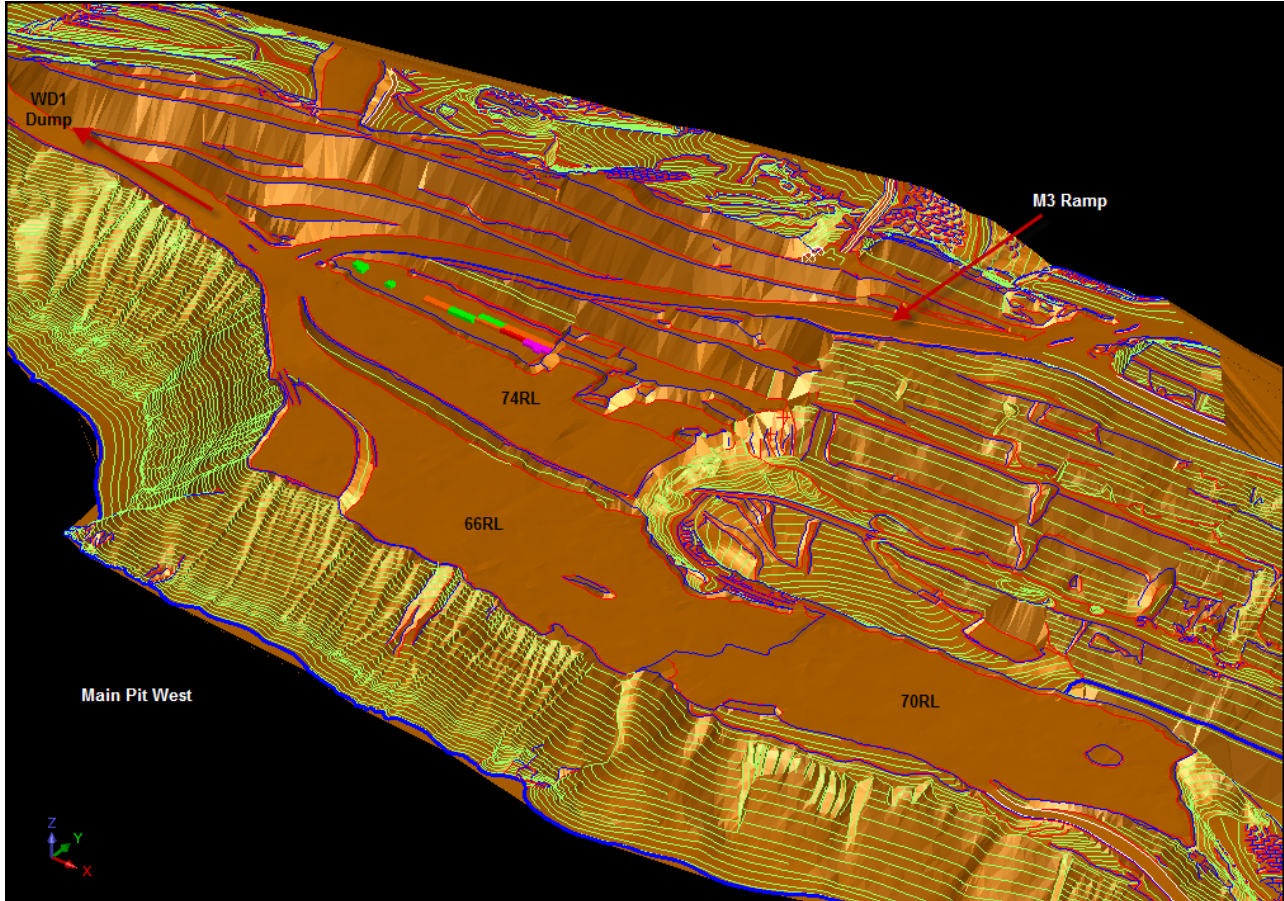


Figure 9 – Main West Pit at the end of September 2009 looking north west



Figure 10 – Main West Pit at the end of September 2009 looking south west cut back progress

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EXPLORATION

Koolan Island

At Koolan Island a total of 51 reverse circulation holes (6,858m) were drilled during the quarter in the Main Pit and Main Pit West areas (figure 11). Significant results are tabulated below:

Hole ID	From	To	Length	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Zone
PKRC1196	20	27	7.0	66.26	5.39	0.390	0.009	0.005	0.174	Main West
PKRC1197	82	91	9.0	65.47	5.28	0.207	0.006	0.005	0.183	Main West
PKRC1198	140	147	7.0	65.86	5.43	0.101	0.005	0.005	0.059	Main West
PKRC1199	122	126	4.0	66.08	5.20	0.059	0.005	0.005	0.055	Main West
PKRC1200	116	120	4.0	66.55	4.48	0.040	0.005	0.005	0.043	Main West
PKRC1201	154	160	6.0	64.93	6.01	0.115	0.005	0.005	0.103	Main West
PKRC1203	162	171	9.0	62.21	10.93	0.182	0.005	0.009	0.052	Main West
PKRC1204	180	188	8.0	63.40	8.91	0.189	0.005	0.005	0.123	Main West
PKRC1206	142	149	7.0	62.30	11.05	0.101	0.006	0.005	0.026	Main West
PKRC1207	87	92	5.0	64.48	7.85	0.132	0.006	0.005	0.058	Main West
PKRC1208	100	108	8.0	66.99	4.90	0.709	0.009	0.005	0.296	Main West
PKRC1209	111	117	6.0	63.67	9.22	0.337	0.005	0.005	0.122	Main West
PKRC1210	102	108	6.0	63.35	9.31	0.213	0.005	0.005	0.173	Main West
PKRC1213	93	102	9.0	64.74	7.31	0.234	0.006	0.005	0.146	Main West
PKRC1214	126	133	7.0	64.83	7.21	0.416	0.006	0.006	0.189	Main West
PKRC1215	113	118	5.0	64.16	8.16	0.194	0.005	0.005	0.096	Main West
PKRC1217	127	132	5.0	62.12	11.50	0.108	0.005	0.005	0.046	Main West
PKRC1224	125	134	9.0	65.91	3.77	0.851	0.012	0.006	0.458	Main West
PKRC1225	96	114	18.0	67.79	2.05	0.691	0.010	0.005	0.382	Main
PKRC1227	164	180	16.0	62.63	9.58	0.317	0.005	0.005	0.166	Main
PKRC1229	86	108	22.0	67.06	2.73	1.207	0.013	0.005	0.582	Main
PKRC1230	101	123	22.0	67.02	2.56	1.158	0.008	0.005	0.572	Main
PKRC1231	115	143	28.0	64.53	5.56	1.626	0.010	0.005	0.713	Main
PKRC1232	92	98	6.0	63.60	8.62	0.527	0.005	0.005	0.215	Main West
PKRC1232	116	128	12.0	66.14	5.36	0.275	0.005	0.005	0.111	Main West
PKRC1233	108	116	8.0	67.33	3.49	0.176	0.005	0.005	0.043	Main West
PKRC1234	95	104	9.0	67.51	3.95	0.097	0.005	0.005	0.037	Main West
PKRC1236	119	144	25.0	68.66	0.80	0.310	0.005	0.005	0.259	Main
PKRC1237	91	100	9.0	66.58	3.75	0.098	0.005	0.005	0.088	Main West
PKRC1238	84	91	7.0	67.94	2.54	0.026	0.005	0.005	0.022	Main West
PKRC1239	106	111	5.0	65.84	4.53	0.826	0.012	0.005	0.344	Main West
PKRC1239	126	134	8.0	63.13	9.48	0.130	0.005	0.007	0.135	Main West
PKRC1241	94	101	7.0	67.21	3.64	0.179	0.005	0.005	0.061	Main West
PKRC1242	150	180	30.0	68.30	1.18	0.646	0.007	0.005	0.382	Main
PKRC1243	133	160	27.0	68.26	1.11	0.657	0.007	0.005	0.364	Main

QUARTERLY REPORT



Hole ID	From	To	Length	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Zone
PKRC1244	123	146	23.0	67.52	1.71	1.195	0.006	0.005	0.517	Main
PKRC1245	126	138	12.0	66.48	2.04	1.483	0.006	0.008	0.658	Main West

The 25m x 25m spaced infill resource drilling has effectively defined the Main West mineralisation and its transition to Main Pit. The Main West mineralisation represents the lower grade termination of the Main Pit orebody and is characterised by two narrow zones of low to high grade hematite mineralisation separated by a 10 - 15m thick band of siliceous hematitic conglomerate. The ore at Main West dips at a relatively flat 45 degrees to the south.

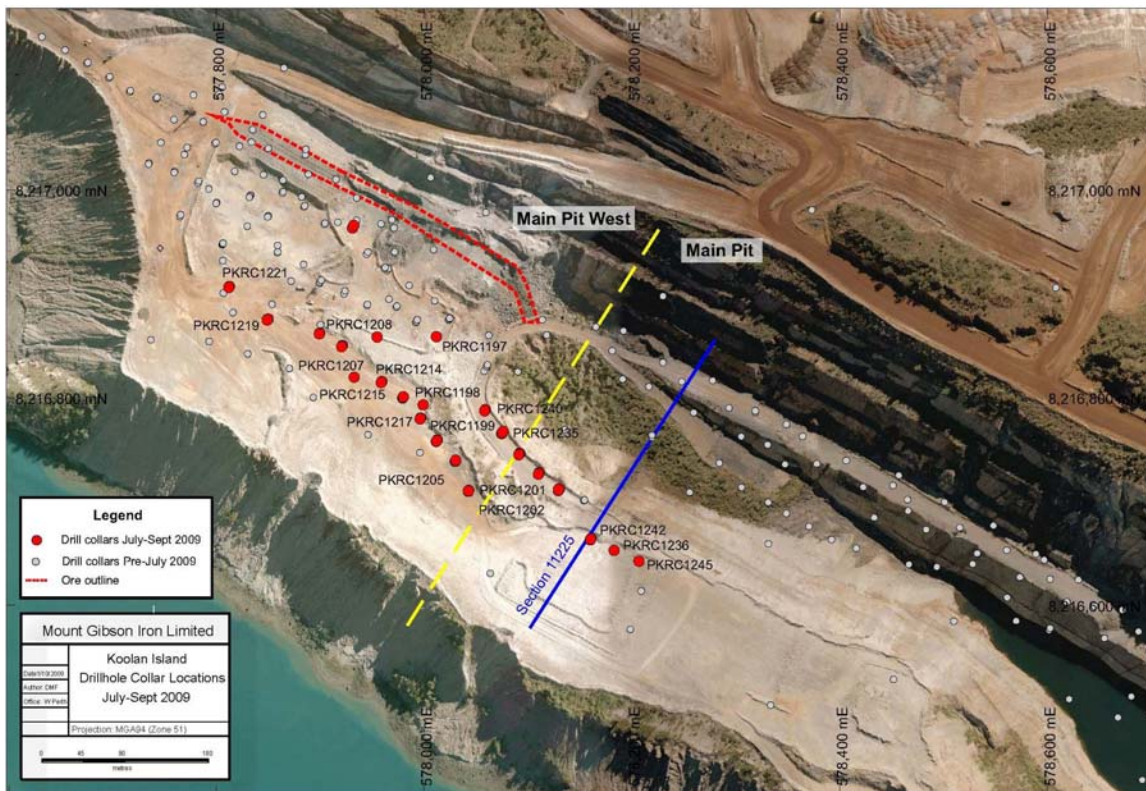


Figure 11 - Plan of Koolan Island showing drill holes completed during the quarter (red dots) and all previous drilling

The transition to Main Pit, which is in turn characterised by a single 20 - 30m thick unit of extremely high grade, low contaminant hematite, is sudden and irregular. However within Main Pit the mineralisation is remarkably consistent in both thickness and grade (figure 12).

Main Pit mineralisation is characterised by friable hematite, often with the texture of free flowing sand, inter-banded with lesser very hard, massive hematite. This presents drilling challenges when converting in-pit inferred resources to additional ore reserves (figure 12).

QUARTERLY REPORT

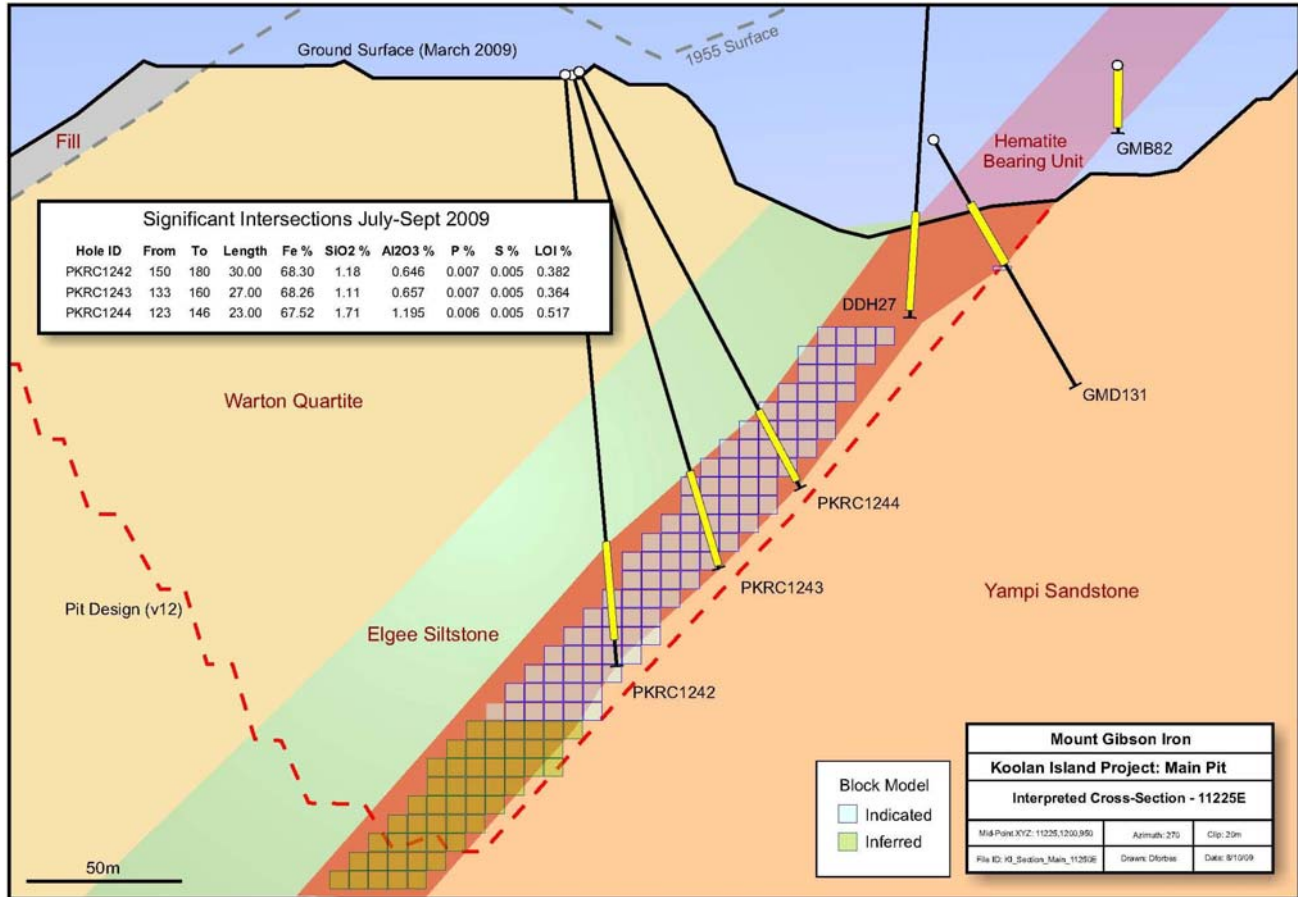


Figure 12 – Section 11225E, looking west, Main Pit. In pit inferred resource shown is the target of on going resource definition drilling.

Drilling at Mullet-Acacia was completed in the previous quarter and all results have now been interpreted and modelled. A new resource model incorporating all the new data will be produced during the next quarter.

At Eastern-Barramundi the new resource/reserve models were completed and incorporated in an updated resource statement.

QUARTERLY REPORT



An agreement was finalised with the Dambimangari Native Title Claimants to explore the Western End of Koolan Island covered by Exploration Licence E04/1266 (figure 13). An exploration program has been planned and the heritage clearance has been completed which will allow the first stage of exploration to commence. The area is known to contain outcrops of high grade hematite that could be extensions of the mineralised horizons currently being mined.



Figure 13 - Western End of Koolan Island, showing interpreted hematite mineralization (red)

QUARTERLY REPORT



Tallering Peak

Heritage clearance over the North Ridge area at Tallering Peak was completed during the quarter and drill sites prepared (figure 14). Drilling is due to commence in October. The planned drilling program on the North Ridge gravity and magnetic targets (up to 91 Reverse Circulation drill holes have been designed) had been delayed pending a number of required heritage surveys and the unusually wet winter weather.

Access to the T1 area (figure 14) requires heritage clearances. T1 hosts known hematite mineralisation but requires further drilling to define a resource.

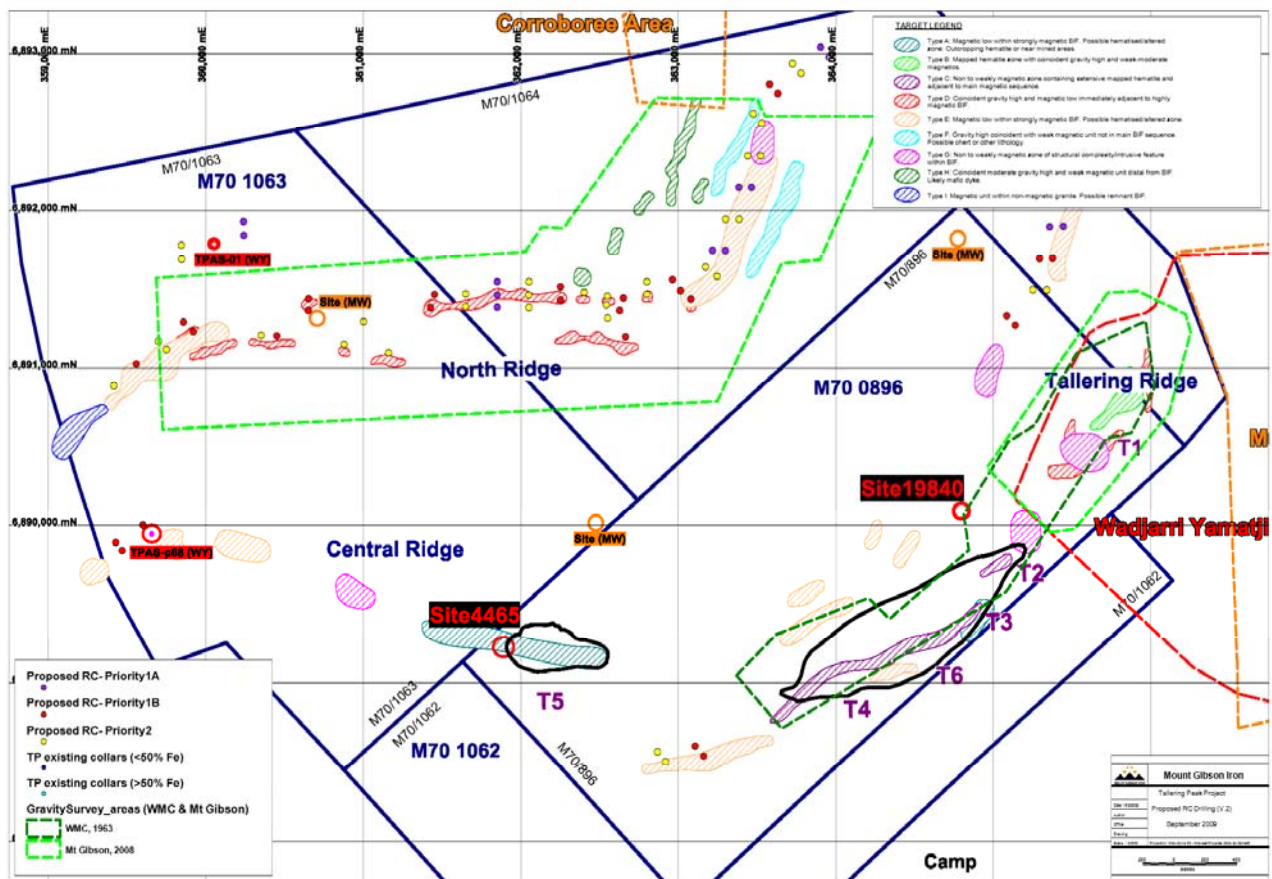


Figure 14 - Tallering Peak mining leases showing geophysical anomalies and proposed drillholes.

QUARTERLY REPORT



Extension Hill

Resource and reserve modelling for Extension Hill was completed during the quarter and the results were included in the recently released Mineral Resources and Ore Reserves Statement and are repeated below. The new model is based upon the 492 hole (20,909m) reverse circulation infill resource drilling commenced in late November 2008 and completed in early April 2009.

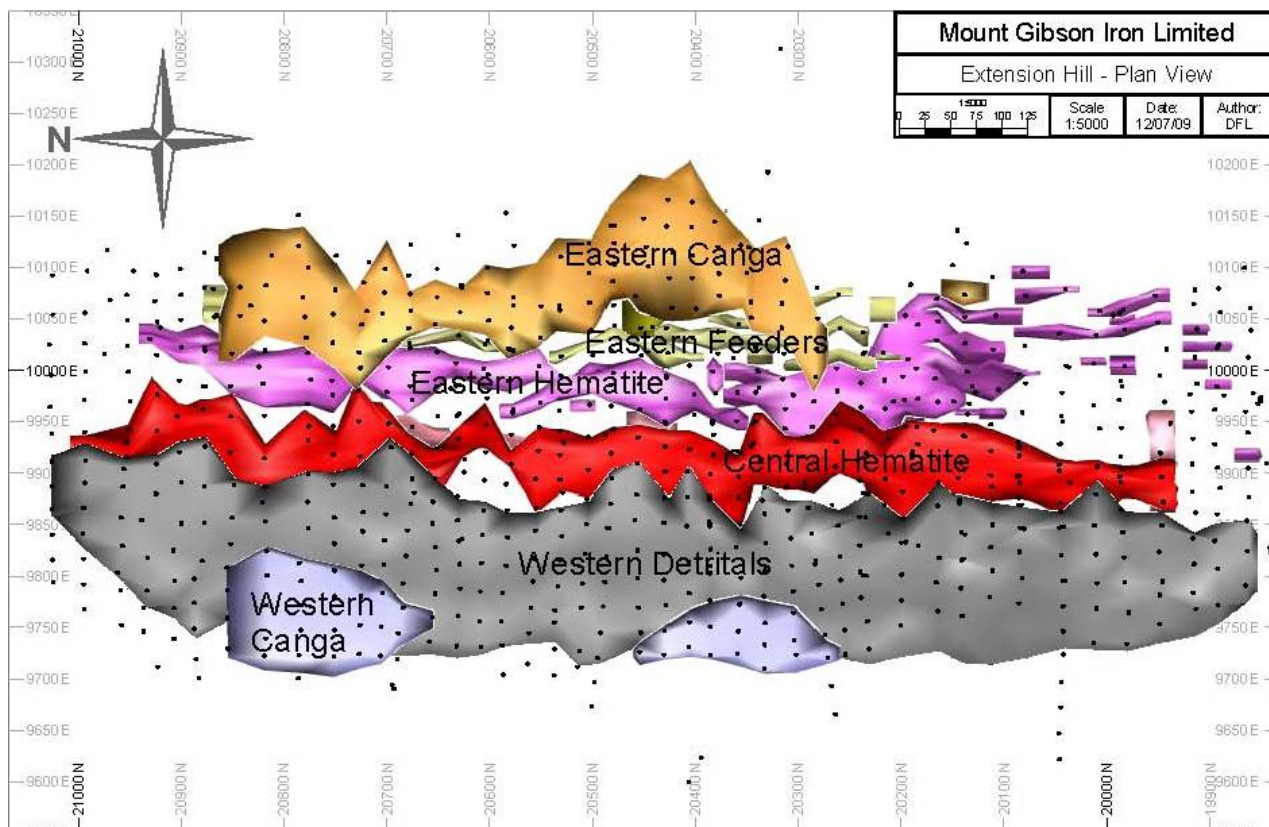


Figure 15- Plan view of new Extension Hill 3D model. Drillhole collars shown as black dots.

Resources at 30 June 2009, above 50% Fe

Extension Hill

	Tonnes (millions)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
Measured	13.8	58.1	6.77	2.15	0.062
Indicated	5.84	58.3	9.91	1.29	0.057
Inferred	2.51	61.7	5.33	1.52	0.061
Total	22.1	58.6	7.43	1.85	0.061

QUARTERLY REPORT



Reserves at 30 June 2009

Extension Hill

	<i>Tonnes (millions)</i>	<i>Fe (%)</i>	<i>SiO2 (%)</i>	<i>Al2O3 (%)</i>	<i>P (%)</i>
Proved	10.6	59.2	5.66	1.95	0.064
Probable	3.66	59.3	8.48	1.27	0.058
Total	14.3	59.2	6.38	1.77	0.063

EXTENSION HILL DIRECT SHIPPING ORE (“DSO”) PROJECT

There has been no change in the status of the project with construction of the Extension Hill DSO Project remaining suspended. Once the DSO Project receives the approval of the Board of Directors of Mount Gibson, the construction phase of the project is scheduled to take 12 months of works in the field. Subject to upgraded rail unloading capacity at the Geraldton Port and subsequent Mount Gibson Board approval, shipments from Extension Hill are scheduled for the first quarter of 2011.

Due to the project being suspended there is little change to the project status since the last quarterly report. The status of various key project activities as at 30 September 2009 was as follows:

Regulatory submissions & approvals during the quarter were:

- No new approvals were received during the quarter

The remaining approvals required for the project are:

- The Extension Hill Mining Proposal; and
- The Extension Hill Project Management Plan.

These approvals will be sought once the schedule for the upgrade of the rail unloader at the Geraldton Port is finalised.

Design & Engineering work undertaken during the quarter:

- No design or engineering work was undertaken during the quarter.

Extension Hill Mine Site

- The accommodation camp and main office complex remain in storage.
- Primary communications equipment and communication tower remain in storage.
- All equipment orders issued prior to the project suspension for equipment purchased directly by Mount Gibson for the Extension Hill Project have now been completed and the equipment has been delivered and stored awaiting the recommencement of the project.

QUARTERLY REPORT



Transport Corridor

- No works have been undertaken on the rail line between Perenjori and the Port.
- Rail wagons have been placed into operations at Talling Peak operations as part of the rail wagon commissioning and verification process.

Geraldton Port – Berth 5 Storage Facility

- All outstanding equipment orders for equipment have now been completed and the equipment stored awaiting the recommencement of the project.

GPA Rail Unloader Upgrade

- Work on the Rail Unloader Upgrade remains on hold until the State Government assesses Mount Gibson's proposal to build, own and operate the upgrade of rail unloading facilities at the Geraldton Port.

Attribution

The information in this report that relates to Exploration Results is based on information compiled by David Larsen, who is a member of the Australian Institute of Geoscientists. David Larsen is a full time employee of the company, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". David Larsen consents to the inclusion in the report of the matters based on his information in the form and context in which it appeared.

The information in this report relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.

The information in this report relating to Mining Reserves is based on information compiled by Rolf Forster and Weifeng Li, who are both members of the Australasian Institute of Mining and Metallurgy. Rolf Forster and Weifeng Li are consultants to Mount Gibson Mining Limited, and have sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to each qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster and Weifeng Li have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

David Berg
Company Secretary