

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED (“MOUNT GIBSON”) QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2008 ASX ANNOUNCEMENT 21 JULY 2008

HIGHLIGHTS

- Record full year net profit after tax (unaudited) of **\$113.3 million**, up **137%** on the corresponding period last year
- Record annual Mount Gibson production, sales, crushing, road cartage and rail haulage
- Record quarterly ore production, crushing, road cartage and rail haulage from Talling Peak
- Record quarterly material movement, crushing and ore shipments from Koolan Island
- Outstanding diamond drill hole intercepts on down dip extensions of Main and Acacia ore surfaces at Koolan Island
- Mount Gibson achieves a 96% and 80% increase in lump and fine ore prices respectively, effective 1 April 2008
- Extension Hill hematite operation scheduled for production in the first half 2009

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CORPORATE

Financial and Production Results

For the year ended 30 June 2008, Mount Gibson achieved a record full year net profit after tax (unaudited) of \$113.3 million, up 137% on the corresponding period last year. Net assets (unaudited) totalled \$896.9 million whilst cash on hand at the end of June 2008 was \$48.6 million.

- Ore production of 6.9 million tonnes, up 97% on the previous year;
- Ore sales of 5.5 million tonnes, up 122% on the previous year; and
- Sales revenue of \$409 million, up 146% on the previous year.

Iron Ore Price

The price Mount Gibson receives for iron ore is based on Hamersley Benchmark pricing. The Hamersley Benchmark price was settled late in the quarter for the contract year commencing 1 April 2008 by Rio Tinto. Following the recent announcement by Rio Tinto Limited, Mount Gibson notified existing long term iron ore contract customers that lump and fine ore prices will increase to 201.69 US cents per dry metric tonne unit and 144.66 US cents per dry metric tonne unit respectively, effective 1 April 2008.

Mount Gibson's customers are required to make good the differential between the 2007 price and the 2008 price for shipments received from 1 April 2008 and have been invoiced accordingly.

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OPERATIONS

Tallering Peak

Ore production at Tallering Peak was at record levels for the quarter. Ore was sourced from the T6A cutback, and T2A. Total waste movement was consistent with forecast. Total material movement, ore mined, ore crushed, ore hauled, ore railed and ore shipped were all annual records for Tallering Peak. Ore mined was 31% above the previous best record established in 2006/2007 whilst ore crushed and shipped exceeded the records established in 2006/07 by 26% and 13% respectively.

Tallering Peak exceeded last quarter's record crushing rates by 17%, as the crusher continued to perform above the annualised 3Mtpa rate. The quarter saw a 20% improvement in road haulage from the Tallering Peak mine site to Mount Gibson's rail storage facility at Rivudini. Rail haulage also performed at record levels this quarter however regular GPA breakdowns curtailed actual rail performance.

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

		Sept 2007 qtr 000's	Dec 2007 qtr 000's	March 2008 qtr 000's	June 2008 qtr 000's	TOTAL 07-08 000's
Mining						
Waste Mined	<i>bcm</i>	2,470	2,744	2,422	2,353	9,989
Ore Mined	<i>wmt</i>	825	943	914	1,159	3,841
Crushing						
Lump	<i>wmt</i>	502	450	488	565	2,005
Fines	<i>wmt</i>	280	323	340	416	1,359
Total	<i>wmt</i>	782	773	828	981	3,364
Transport to Mullewa Railhead						
Lump	<i>wmt</i>	482	388	504	484	1,858
Fines	<i>wmt</i>	177	309	251	401	1,138
Total	<i>wmt</i>	659	697	755	885	2,996
Transport to Geraldton Port						
Lump	<i>wmt</i>	423	382	475	452	1,732
Fines	<i>wmt</i>	74	280	140	259	753
Total	<i>wmt</i>	497	662	615	711	2,485
Shipping						
Lump	<i>wmt</i>	515	340	484	436	1,775
Fines	<i>wmt</i>	103	252	182	256	793
Total	<i>wmt</i>	618	592	666	692	2,568

Work at the Geraldton Port associated with separating product on the Berth 4 and Berth 5 conveying systems was completed in the June quarter, allowing simultaneous loading of mineral sands on Berth 4 and iron ore on Berth 5. Tallering Peak loaded exclusively from the Geraldton Port Authority's ("GPA's") recently completed Berth 5 facility posting its highest annual shipped tonnes to date. It is anticipated that further improvements in ship loading rates will become evident as the GPA eliminates unplanned outages and becomes more proficient in loading vessels from Berth 5 which will enhance Mount Gibson's capacity to increase iron ore sales from Tallering Peak in 2008/09.

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30 new rail wagons were received by Talling Peak in the June 2008 quarter. The wagons were fully commissioned by mid July 2008. Combined with the sizable crushed stocks at the Rivudini rail storage facility, the additional rail capacity provides further upside for shipping rates in the first half of 2008/09.

Ore stockpiles increased during the quarter to 1.8 million tonnes at 30 June 2008 due to very strong operational performance from Talling Peak.

Comparison between Figure 1 and Figure 2 on the next page shows the progress of Talling Peak's Main Range mining operation at Talling Peak in the June 2008 quarter. Note that the T6A1 and T6A2 cutbacks have reached the same RL as the T3C cutback.

The cutback of the northern wall has reached the same RL as the T2A cutback and is now considered to be part of T2A. The large T2A area provided the majority of material movement over the June quarter. Mining recommenced from the T5 pit during the quarter.

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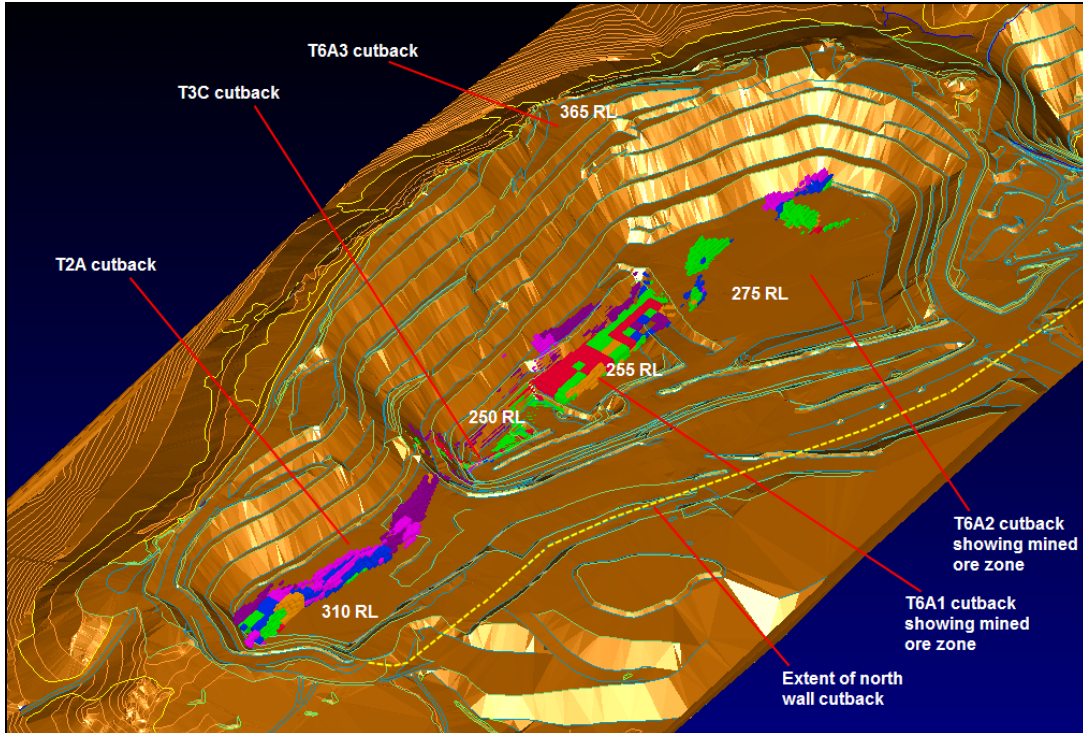


Figure 1 - Main range mining as at the end of the March 2008 quarter

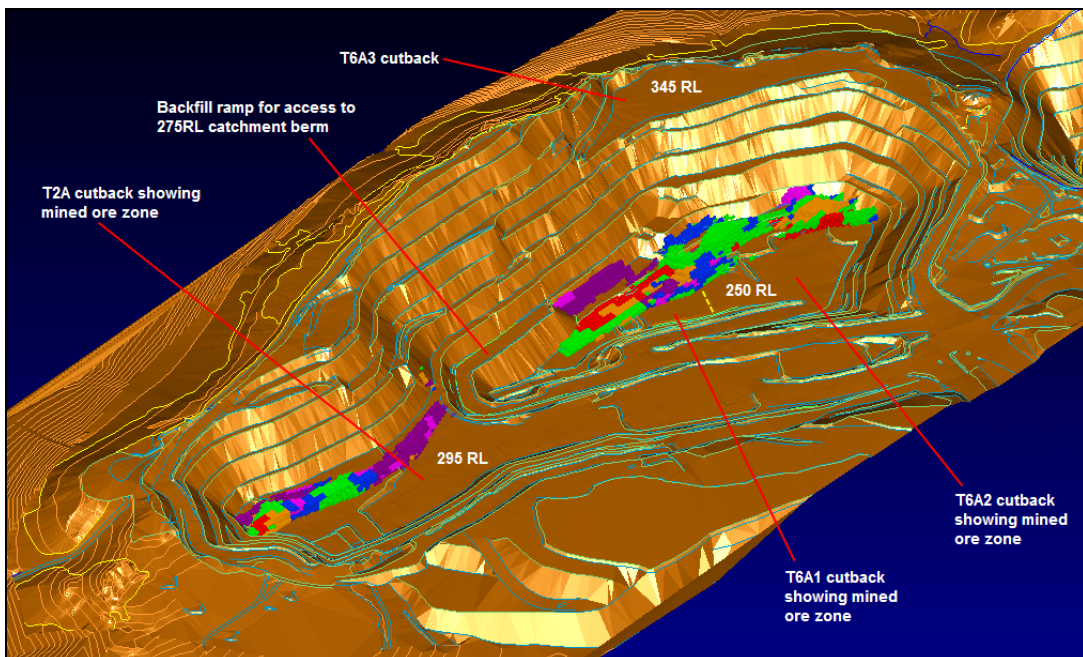


Figure 2 - Main range mining as at the end of June 2008 quarter

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Figure 3 - Main range operation from western edge of T2



Figure 4 - T2A cutback from northern end of pit

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Koolan Island

Record material movement of 2.8 million BCM from mine operations was achieved during the quarter. Crushing and shipping rates were also at record levels nearing 4 Mtpa on an annualized basis. There was a record 13 shipments of ore during the quarter bringing the total shipments for the financial year to 40.

All satellite open pit operations developed as scheduled during the quarter with East Pit production generated from the 122RL and 116RL benches, whilst mining advanced on the Barramundi Limb.

Scheduled staging of Mullet Pit generated higher than planned ore volumes due to some localized conservatism in the geological model whilst the north east cutback of Mullet Pit was mined to below the 86RL.

Main Pit West continued to expose wider benches as mining advanced which improved productivity significantly from this area during the quarter. The cut back of Main Pit in the Crusher Hill area progressed to the 76RL, exposing the old BHP crusher station, which was partially demolished during the quarter.

Blinker Hill, which also forms part of the Main Pit cut back to the east and provides seawall fill, also progressed as scheduled during the quarter and was mined to the 58RL.

Ore mined exceeded the previous quarter by 19% with 36% of production sourced from Mullet, 25% from East, and 39% from Main Pit.

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

		Sept 2007 qtr 000's	Dec 2007 qtr 000's	March 2008 qtr 000's	June 2008 qtr 000's	TOTAL 07-08 000's
Mining						
Waste Mined	<i>bcm</i>	1,779	2,143	2,076	2,531	8,529
Ore Mined	<i>wmt</i>	695	885	669	798	3,047
Crushing						
Lump	<i>wmt</i>	347	336	229	379	1,291
Fines	<i>wmt</i>	339	403	374	566	1,682
Total	<i>wmt</i>	686	739	603	945	2,973
Shipping						
Lump	<i>wmt</i>	406	274	259	367	1,306
Fines	<i>wmt</i>	248	452	310	584	1,594
Total	<i>wmt</i>	654	726	569	951	2,900

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A significant increase in total material movement is scheduled from Koolan Island in 2008/09 as the cut back of Main Pit accelerates. To ensure the cut back is completed as efficiently as possible the mine drilling and excavator fleet has been enhanced with the commissioning of a SKF12 blast hole drill rig and new Hitachi 3600 excavator.



Figure 5 – SKF12 blast hole drill rig drilling blast holes on Blinker Hill



Figure 6 – New Hitachi 3600 excavator loading a 730E Komatsu 180t dump truck on Crusher Hill

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Figure 7 – Mullet Pit looking northwest at the end of June 2008

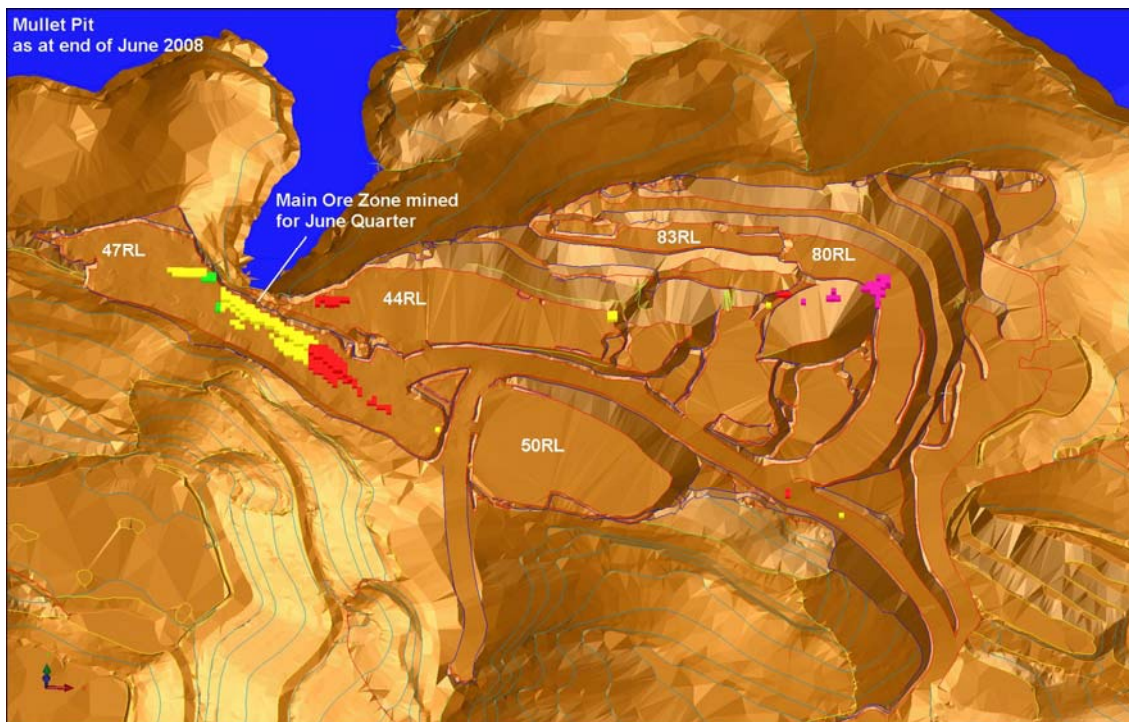


Figure 8 – Mullet Pit at the end of June 2008

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Figure 9 – East Pit cut back looking east at the end of June 2008

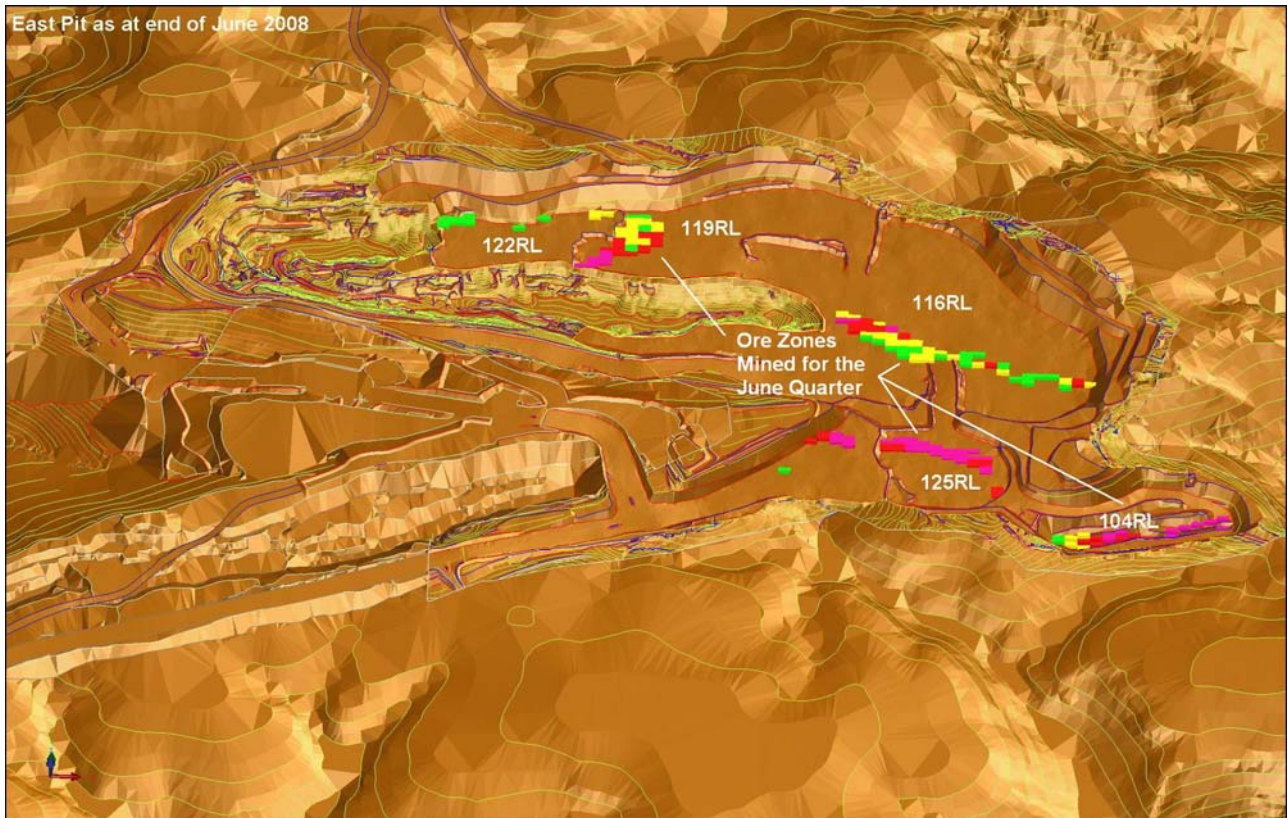


Figure 10 – East Pit at the end of June 2008

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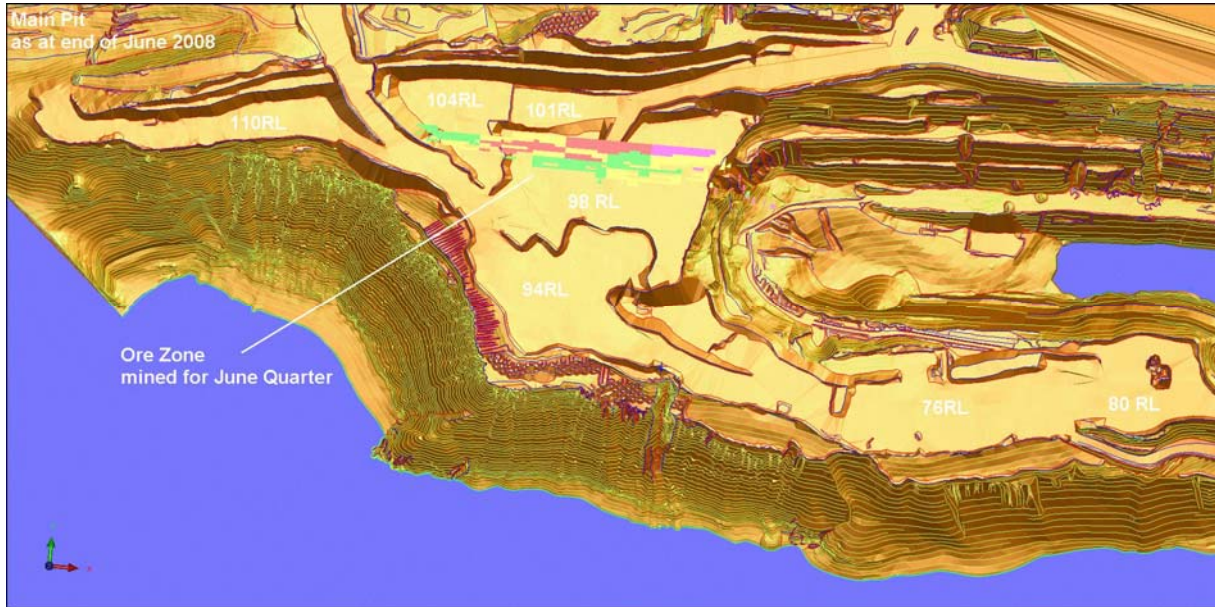


Figure 11 – Main Pit at the end of June 2008



Figure 12 – Main Pit West at the end of June 2008

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Seawall Construction

The following key activities were undertaken during the quarter:

- Continued placement of starter embankment with the dragline operation;
- Reached design crest for western end of starter embankment with dragline and commenced working eastward;
- Established trial night shift operation successfully with full time night shift starting from 21st July; and
- Established single lane 785 haul access to crusher hill as a back up quartzite source.



Figure 13 - Seawall & Channel plug construction looking west from Blinker Hill

Main Pit Rehabilitation

The following key activities were undertaken during the quarter:

- Completed rope access removal of existing bolt tails;
- Commenced cable bolt drilling program utilizing two barge mounted Tamrock DX800R drill rigs installing 10m and 18m twin strand cables;
- Commenced mesh curtain installation, completed initial installation via berm access and continuing via water access;
- Completed underwater video of the footwall, using the ROV camera; and
- Completed commissioning of installation barge.

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Main Pit Dewatering

The following key activities were undertaken during the quarter:

- Continuing with construction of sediment pond and pumping as rehabilitation progresses.

Community Relations

- Mount Gibson has constructed an office in Derby for the administrator of the coexistence deed between Mount Gibson and the Dambimangarri people. The facility was formally opened by the Chairperson for the Dambimangarri Corporation Ms Joy Morlumbun during the quarter;
- Implementation team meetings for the Mount Gibson - Derby Health partnership continued during the quarter;
- A native title agreement was reached for exploration license 1407 (figure 16);
- An Aboriginal employment forum was held by the Shire of Derby and West Kimberley;
- Six new traditional owner positions have been developed which, if filled, will achieve Mount Gibson's indigenous employee milestone of 10% by the end of the 2nd year of commercial production as required within the Dambimangarri – Mount Gibson coexistence deed; and
- Internationally acclaimed artist, Donny Woolagoodja has donated a 2m x 2.5m painting to Koolan Island.



Figure 14 – Traditional performers at the formal opening of the Dambimangarri administration office complex in Derby.



Figure 15 - Donny Woolagoodja, Richard Jordinson (GM Koolan Island) and Simon Sandover (Environment and Community Relations Superintendent Koolan Island) at the opening of the painting donated by Mr Woolagoodja to Koolan Island.

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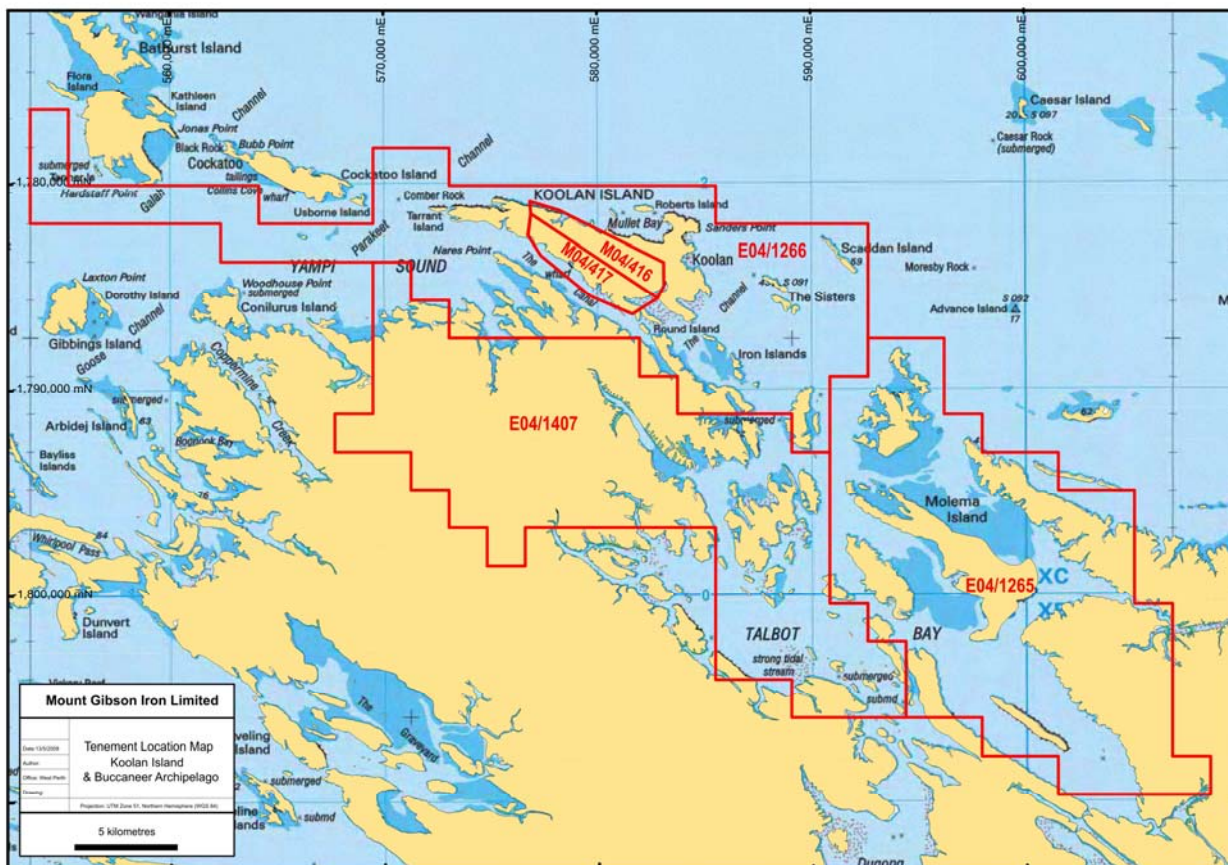


Figure 16 – Mount Gibson’s tenement location in the Koolan Island area

EXPLORATION

Tallering Peak

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

The data generated from the detailed ground based gravity survey undertaken on the poorly drilled North Ridge during the previous quarter has been processed (figure 17) and the results are being modeled to determine if a significant drilling target exists. Preliminary results suggest that there is a coincident gravity anomaly and zone of less intense magnetics at the northern end of the ridge which result from a buried hematite alteration zone. The area has not been drill tested to date.

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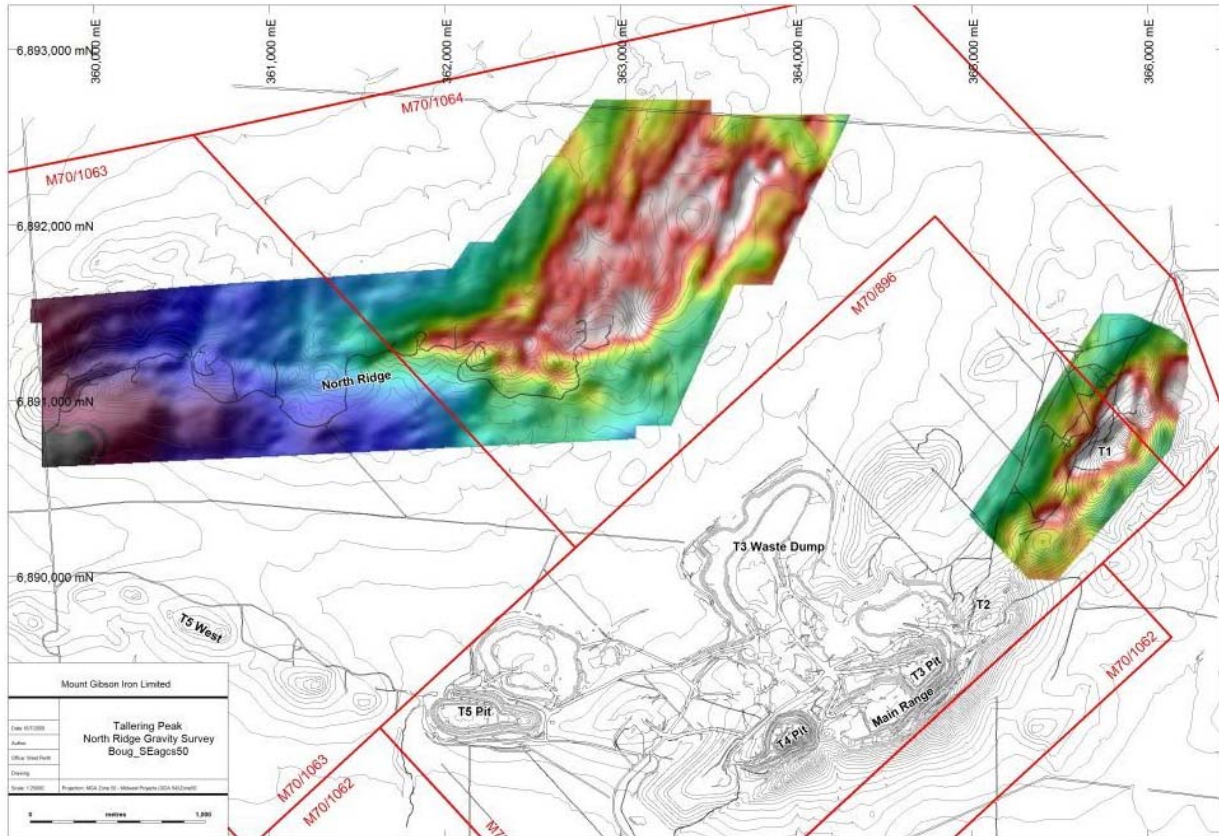


Figure 17 - Bouguer gravity image and topographic contours, Talling Peak

Koolan Island

A reverse circulation exploration drill rig was mobilized to Koolan Island in May and a major program of infill resource and extensional drilling was commenced. This program will continue to infill resource sections where required to provide an appropriate drill spacing for resource estimation. Drilling to date has reduced the resource section spacing to 50 metres or better in most areas. Detailed geostatistical analysis of the assay data has shown that ore grade and thickness can vary rapidly and identified areas require the drill hole spacing to be reduced to 25 metres in order to provide meaningful data for detailed ongoing mine planning.

Resource extension work will also continue, particularly in the Acacia-Barramundi and Mullet-Eastern Limbs. Important exploration targets at Mangrove and Mackerel will also be drilled.

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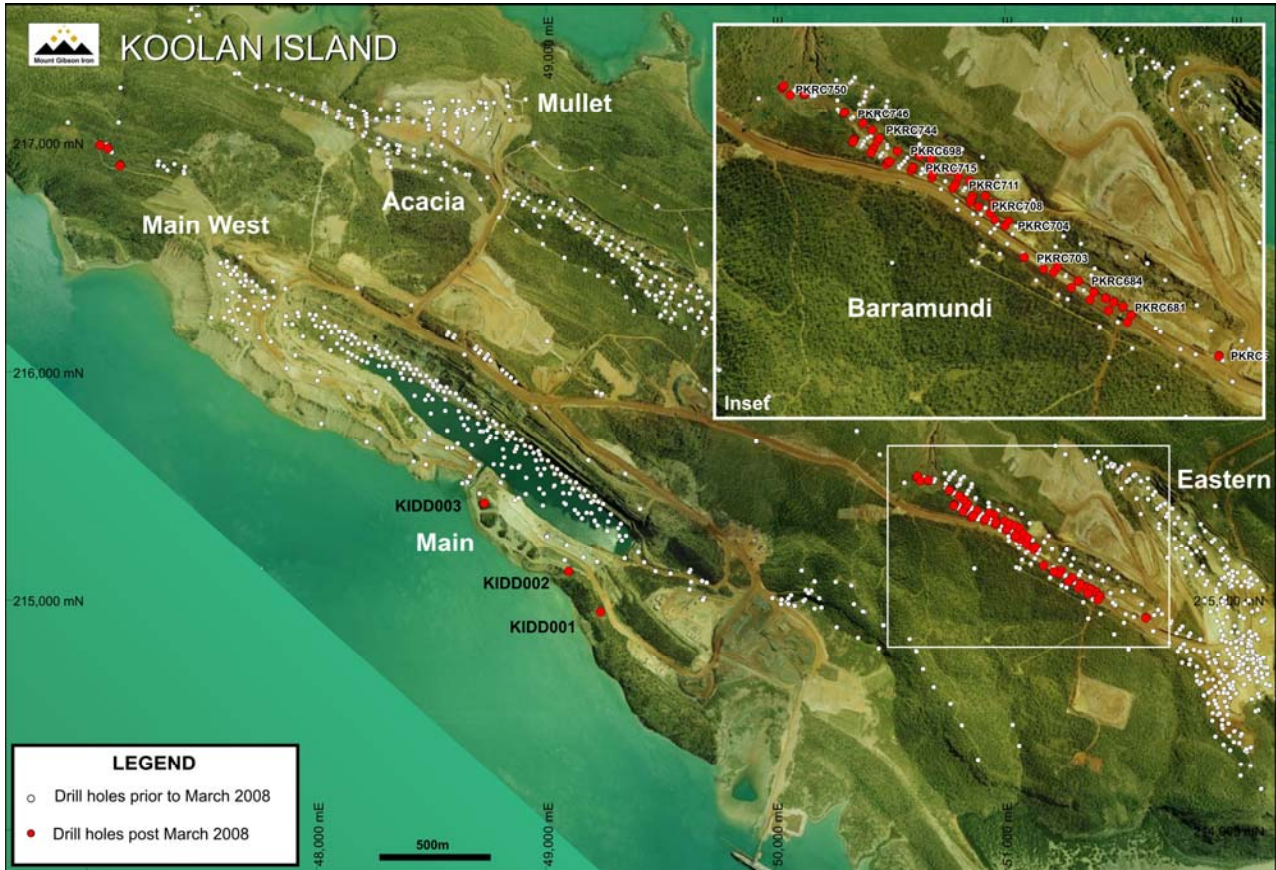


Figure 18 - Plan showing pre March 2008 hole locations (white dots) and post March 2008 drilling (red dots)

During the quarter 74 holes for 4,709m were completed. Almost all drilling to date has focused on the Barramundi and Barramundi West areas (figure 18) where previous work has shown that the area was significantly under drilled.

Assay results have continued to demonstrate that the mineralisation on Barramundi Limb is highly variable. Better results are tabulated below. The new drilling data will be used to assist with the re-modeling of the Barramundi resource over the next quarter.

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Prospect	Hole Id	From (m)	To (m)	Interval (m)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Barramundi	PKRC672	32	46	14	65.77	2.26	1.79	0.01	0.91
	PKRC686	42	52	10	66.60	2.11	1.39	0.03	0.96
	PKRC690	45	57	12	67.03	1.89	0.98	0.02	0.60
	PKRC710	23	36	13	63.21	4.64	2.39	0.03	1.37
	PKRC719	84	94	10	65.81	2.65	0.96	0.04	1.12
	PKRC722	53	68	15	62.49	6.45	1.57	0.05	1.19
	PKRC726	39	52	13	64.33	5.06	1.15	0.02	0.56
	PKRC737	8	18	10	62.53	4.90	3.34	0.03	1.97
	PKRC747	57	67	10	65.52	2.71	1.57	0.03	1.07

A small sterilization drilling program was also undertaken west of Main Pit West to ensure the waste dump does not encroach onto any significant mineralisation. Some thin hematitic sandstone units were intersected as expected with no high grade mineralisation encountered.

Updated interpretation and resource model were completed for all areas except Eastern-Barramundi, in the previous quarter. Modeling of Eastern-Barramundi is on going and resource models for all areas will be continually updated as drilling progresses.

During May diamond drilling commenced to test the mineralization beneath Main Pit. The primary aim was to extend the known mineralization a further 200 metres down dip below the final pit design. Six holes were originally proposed, including one to be extended through the interpreted South Syncline and on into the lower limb.

Two holes were completed during the quarter utilizing a drill rig that became available for a limited period.

The first hole, KIDD001, targeted the Main Pit hematite horizon east of the ultimate Main Pit and intersected the target horizon 320m below sea level and approximately 200m below any other drill holes (figure 19). Despite anticipated poor core recoveries due to the friable nature of much of the mineralisation, the intersection is typical in width, grade and physical characteristics of the Main Pit orebody. The hole then continued on through a major synclinal fold and intersected high grade hematite mineralisation in the Acacia limb.

The second completed hole, KIDD003, was collared 600m to the west, near the centre of the Main Pit orebody, and again intersected wide, high grade hematite mineralisation on both limbs of the fold (figure 20).

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Assay results are summarized in the following table:

Hole Number	Location	From (m)	To (m)	Width (m)	Recovery (%)	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
KIDD001	Main Limb	419.2	449.8	30.6	22%	67.42	1.16	0.79	0.01	0.01	0.36
KIDD001	Acacia Limb	529.3	557.8	28.5	79%	66.81	2.66	0.51	0.01	0.02	0.15
KIDD003	Main Limb	256.7	290.1	33.4	51%	67.84	1.43	0.45	-	0.02	0.26
KIDD003	Acacia Limb	499.4	506.5	7.1	45%	67.81	1.83	0.49	0.01	0.03	0.32
KIDD003	Acacia Limb	526.0	530.0	4.0	80%	68.20	1.21	0.35	0.02	0.02	0.12

Both drill holes have demonstrated that the Main Pit ore horizon continues at the same widths and grades for at least 300m below the base of the ultimate Main Pit and appears to continue around the synclinal fold into the Acacia Limb. There is at least 1km of untested dip extent along the Acacia Limb between the fold closure and the Acacia Pit.

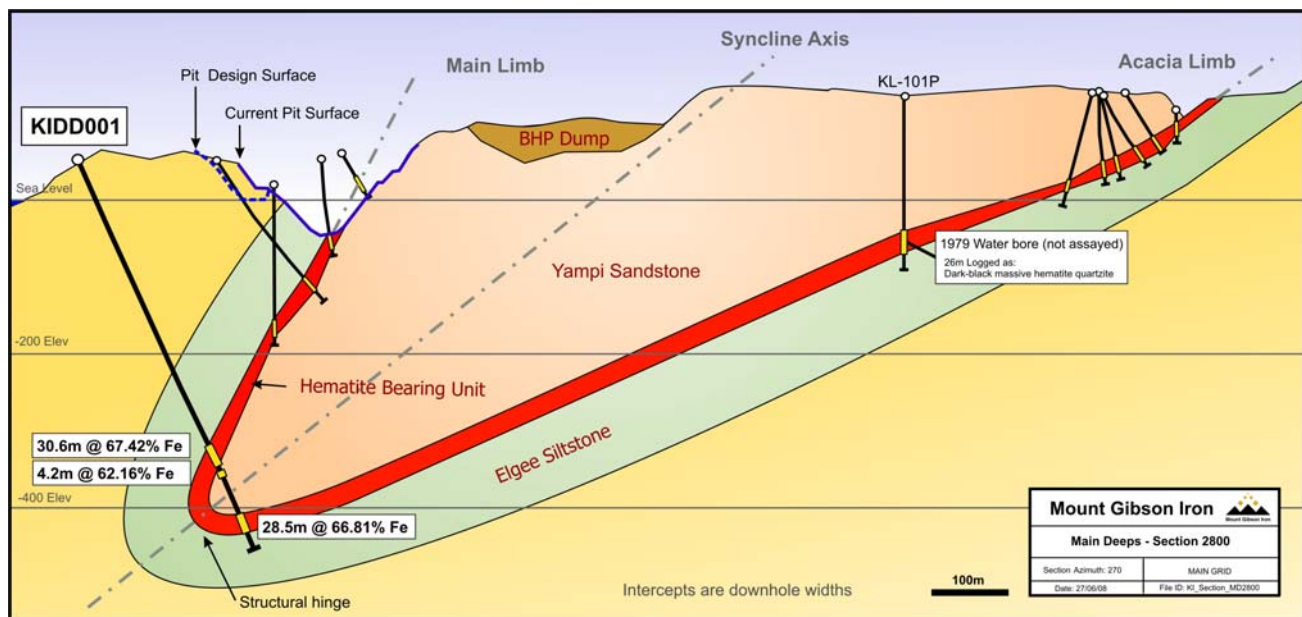


Figure 19 - KIDD001 diamond drill hole intersections on the Main Pit and Acacia Limb mineralized horizons.

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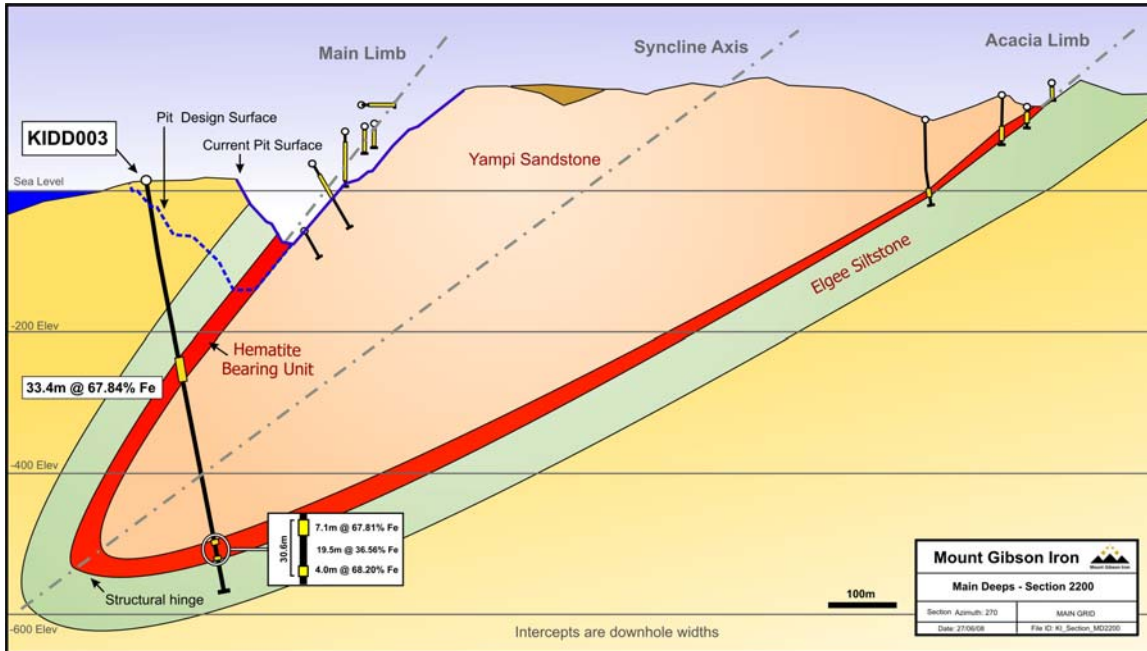


Figure 20 - KIDD003 diamond drill hole intersections on the Main Pit and Acacia Limb mineralized horizons.

A further 10,000m of diamond drilling is planned to continue testing of the deep Main Pit extensions and the Acacia Limb. A suitable rig has now been sourced and drilling should commence in July.



Figure 21 - KIDD003 diamond drill hole site



Figure 22 - KIDD003 diamond drill hole core Main Limb 33.4m @ 67.84% Fe

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Extension Hill Direct Shipping Ore ("DSO") Project

Regulatory submissions and approvals during the quarter were:

- The risk based Extension Hill – Environmental Management Plan (EMP) was submitted to the Environmental Protection Authority (EPA) in early April as planned. On 7 July 2008 the EPA provided written advice that the Department of Environment & Conservation (DEC) have accepted the EMP as submitted and they (EPA) were currently preparing formal documentation for State approval;
- A second Section 45C application was submitted to the EPA to make further minor amendments to the design layout set out in the project Ministerial Statement. Approval for this application is pending;
- All outstanding queries relating to the Extension Hill – Hematite Transport Proposal (first submitted to the EPA on 12 October 2007) were addressed during the quarter and this application has been advertised for public comment;
- All outstanding queries relating to the Extension Hill – Mining Proposal (submitted to the environmental branch of the Department of Industry & Resources) were addressed during the quarter and approval of this Mining Proposal is pending EPA approval of the EMP;
- Approval of the Extension Hill – Project Management Plan (submitted to the Department of Consumer & Employee Protection) is pending;
- The granting of an environmental Works Approval by DEC to allow construction of "prescribed" facilities at the Extension Hill mine site is pending EPA approval of the EMP;
- A water abstraction license for the supply of water for road construction has been received from the Department of Water (DOW). Issue of the mine site water abstraction license for potable & process water from bores at the mine site is pending EPA approval of the EMP;
- A Section 18 clearance to upgrade the haul road between the mine site and the Perenjori rail siding was granted by the Department of Indigenous Affairs;
- Planning permission to construct facilities at Perenjori rail siding was received from the Shire of Perenjori; and
- Issue of the building permit by the Shire of Yalgoo to construct various buildings at the mine site is awaiting FESA approval of the building fire systems.

Design and engineering work during the quarter were:

- Detail design of the storage and handling facilities at Berth 5 completed;
- Detail design work for the Perenjori rail siding completed;
- Detail design for the realignment of a section of the planned haul road between the mine site and Perenjori rail siding as required by the DIA Section 18 approval commenced and is in progress;
- Detail design for the crushing and screening system is in progress; and
- Detail design for site infrastructure and services (camp, administration buildings, workshops, communications system, power supply, water supply, site roadways, etc) is in progress.

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Land acquisition:

- The realignment of a section of the haulage road between the mine site and the Perenjori rail siding to accommodate the DIA Section 18 approval requires the acquisition of a further parcel of land. Negotiations to acquire this land were in progress at the end of the quarter; and
- Settlement on all other land was finalized in the quarter.

Tenders & Contracts:

Major tenders open at the end of the quarter were:

- Electrical package for Geraldton Port storage facility.

Major contracts finalised during the quarter were:

- Supply & installation of structural steel & mechanical installation for port facility;
- Road construction (preferred contractor selected and commencement of works awaiting environmental approval);
- Rail track access (Perenjori to Geraldton) agreement;
- Rail haulage (Perenjori to Geraldton) contract; and
- Berth 5 lease agreement.

Construction:

- Civil works for the storage facilities at Geraldton Port continued through the quarter. Eastern wall civil works were completed and work is now progressing on the conveyor trenches and load out hoppers. Civil works are currently scheduled for completion towards the end of the September quarter;
- Structural steel fabrication for the storage facilities commenced during the quarter and is continuing with first steel sections due to arrive on site late August;
- Structural steel fabrication for the crushing & screening plant commenced during the quarter in accordance with the terms of the design & construct contract for this work;
- The first accommodation and messing units for the new camp were completed during the quarter. These units are currently in storage awaiting environmental approval to commence site works;
- Construction of the mine office transportable building was completed during the quarter. The office is also currently in storage awaiting environmental approval to commence installation works on site; and
- Commenced re-fencing of private agricultural property boundary lines where the company has acquired freehold land to upgrade the haul road between the mine and Perenjori.

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Figure 23 - Geraldton Storage Facility – Eastern wall civil works (in foreground) completed



Figure 24 - Geraldton Storage Facility – Load out hopper steel fixing in progress

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GPA Rail Unloader Upgrade Project:

Following a detailed assessment of alternatives, Mount Gibson subsidiary Geraldton Bulk Handling (“GBH”) and Geraldton Port Authority (“GPA”) have commenced detailed design work as the first step in the upgrade of the existing port rail unloading and materials handling system.

The upgraded rail unloader and associated materials handling system will have a design capacity of 3,000 tonnes per hour and will allow crushed lump and fine products from both the existing Talling Peak mine and the planned Extension Hill Mine to be unloaded and conveyed to either the existing Berth 4 storage shed or the new Berth 5 storage shed.

Construction work to upgrade the existing rail unloader and associated materials handling system is scheduled to commence in October.

The existing train unloading and materials handling facility and a schematic of the new materials handling system are set out in Figures 25 & 26 below.

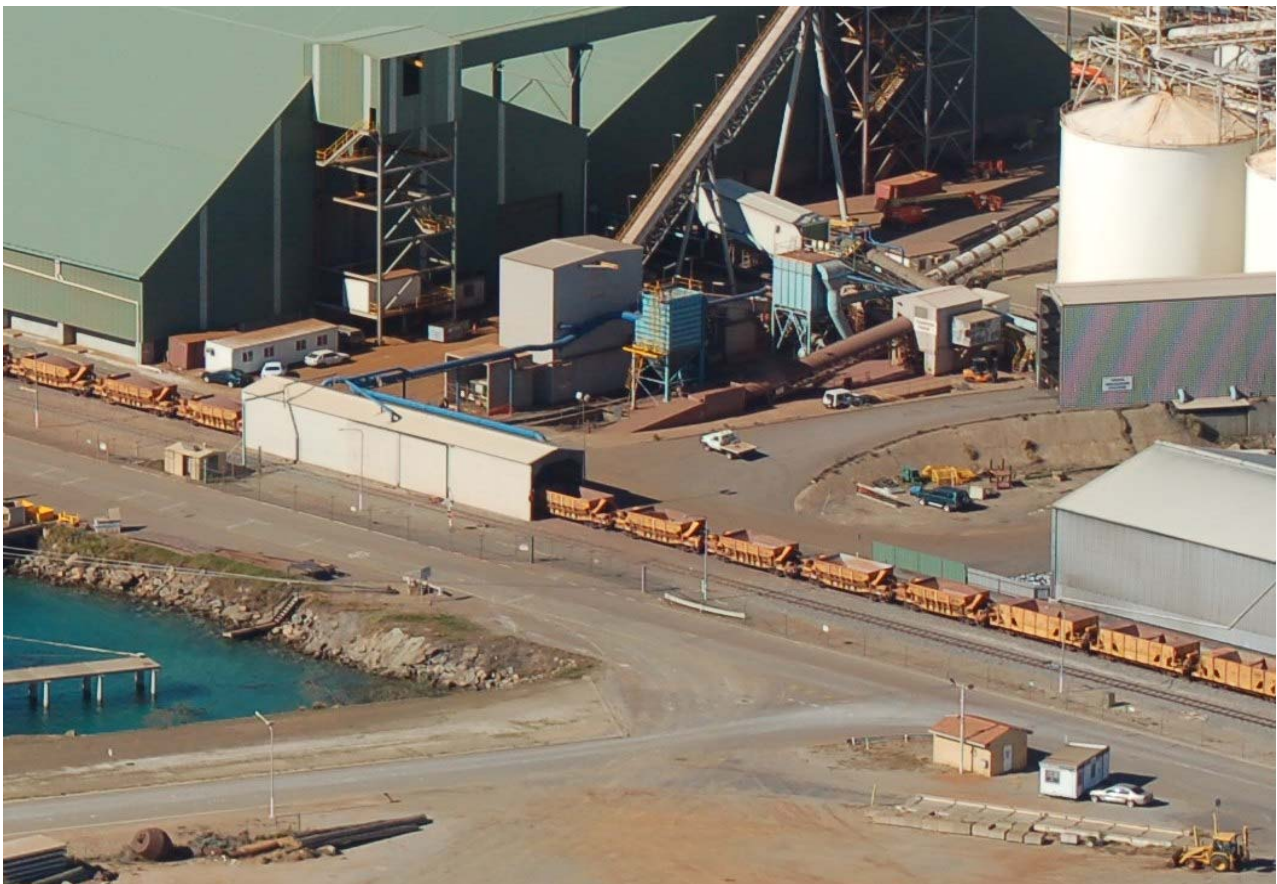


Figure 25 – Existing Rail unloading facilities with materials handling system in background

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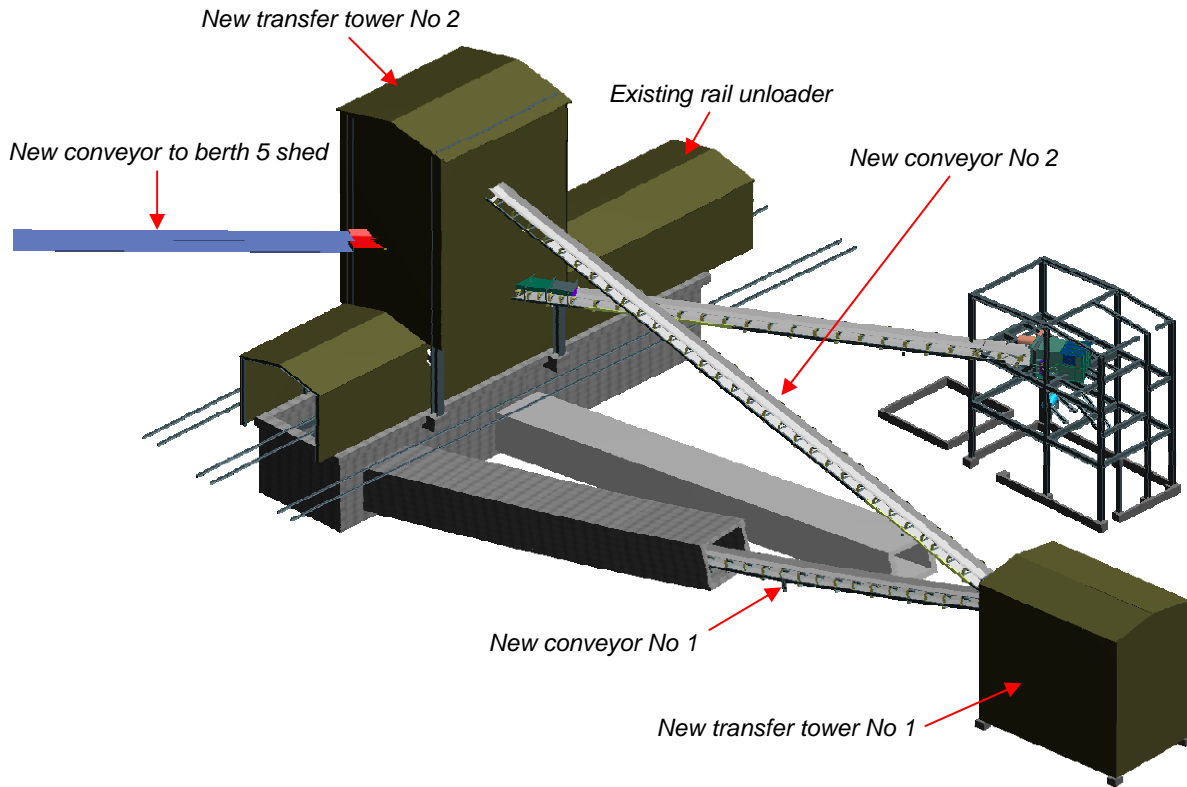


Figure 26 – Schematic layout of new rail unloading and materials handling facilities

Angela Dent
Company Secretary

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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 Talling 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 6.5Mtpa 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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