QUARTERLY REPORT

Mount Gibson Iron

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FOR THE PERIOD ENDING MARCH 2006 ASX ANNOUNCEMENT 20/04/06

HIGHLIGHTS

- Preliminary Life of Mine ("LOM") physical schedules have been completed for Tallering Peak Mining Operations based on sustaining 3Mtpa hematite ore production rates.
- Tallering Peak total material movement increased in excess of 30% in the March quarter with further increases forecast in the June quarter.
- Lower than anticipated Fe grades in the upper zone of the Tallering Peak resource will have an impact on second half results, however the upper zone only contributes 4% of the current resource and is not considered material over the life of mine.
- 3Mtpa hematite ore production rates to be achieved in the first half of 2006/07 financial year.
- Mount Gibson Iron Limited ("MGI") is reviewing its level of participation in the Extension Hill Magnetite Project, Longtan pellet plant and investment in Asia Iron Holdings Limited.
- MGI has commenced a detailed desktop evaluation of the viability of establishing a 2Mtpa hematite mining operation at Extension Hill.

TALLERING PEAK HEMATITE MINING OPERATIONS

Since operations commenced at Mount Gibson Mining Limited's ("MGM") Tallering Peak operation late in 2003 three open pits have been mined, namely T3, T4 and T5. The location of these open pits is shown in Figure 1.

A preliminary Life of Mine ("LOM") plan has now been completed for Tallering Peak utilising existing data. The LOM plan assumes no further exploration success at Tallering Peak.

		06/07	07/08	08/09	09/10	10/11	11/12	12/13
Mining								
Waste Mined	Mt	29.3	21.5	14.7	12.7	5.9	1.9	
Ore Mined	Mt	3.7	2.4	3.3	3.6	4.0	1.5	
Total	Mt	33.0	23.9	18.0	16.3	9.9	3.4	
Crushed	Mt	3.0	3.0	3.0	3.0	3.0	3.0	0.5

Table 1: Preliminary LOM physicals for the Tallering Peak Mining Operation

Over the remaining LOM subsequent cut backs of T3 and T4 open pits will merge into one large ultimate pit identified as T6, the design of which is shown in Figure 1.

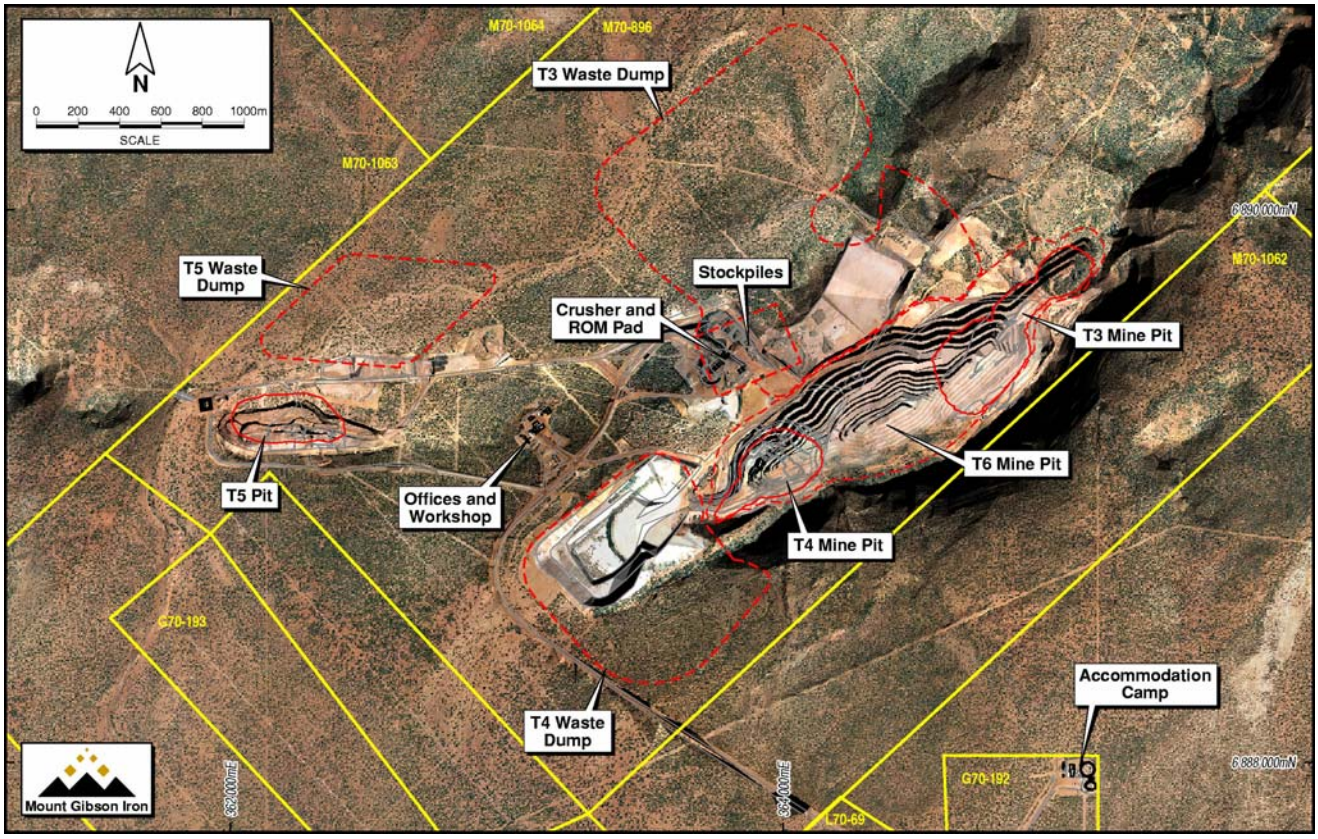

Figure 1: Aerial view of the Tallering Peak Hematite Mining Operations showing preliminary LOM pit design and existing open pit surface outlines.

The LOM plan demonstrates that historical ore and waste movements at the mine need to initially increase from 14Mtpa to approximately 33Mtpa in order to sustain an ore production rate of 3Mtpa.

Table 1 outlines the key features of the physical requirements for the Tallering Peak mining operation to achieve and sustain 3Mtpa hematite production rates over the remaining LOM.

To achieve sustainable ore production rates of 3Mtpa by the second half of the 2006 calendar year, cut backs of previously mined open pits at Tallering Peak commenced during the quarter, increasing waste movements in excess of 30%. Waste material movements will continue to build during the June quarter as the operation removes overburden that overlies high quality hematite ore.

MGM has successfully recruited the quality management, technical, maintenance and operational staff necessary to ensure Tallering Peak has the human resource capacity and capability to lift production to 3Mtpa rates in the second half of the 2006 calendar year.

An expansion of the existing accommodation camp facility commenced during the quarter and is now 70% complete.

The increase in ore and waste movement requires mining equipment with the capacity to effectively double current mine productivity. Tallering Peak will be phasing out the lower capacity digging and trucking fleet over the next 18 months and replacing this fleet with a larger, higher capacity and more efficient fleet. Increases in material movements at Tallering Peak

resulted from the delivery and operation of larger, more productive mining fleet during the quarter. Remaining large scale replacement fleet, initially scheduled to be commissioned by April, will be fully operational by the end of May 2006.

The successful delivery of new large scale fleet to Tallering Peak has been a significant achievement given the short lead time and the scarcity of this type of fleet in the current market. The delivery and subsequent commissioning of one PC3000 Komatsu excavator and eight HD1500 Komatsu 150t trucks in late May 2006 will provide the operation with the necessary fleet capacity to increase annual material movements to required levels.

Production for the March 2006 quarter and year to date is set out below:

		Sept 2005 Qtr	Dec 2005 qtr	March 2006 qtr	TOTAL YTD
Mining					
Waste Mined	*bcm*	932	1,243	1,627	**3,802**
Ore Mined	*wmt*	471	248	254	**973**
Crushing					
Lump	*wmt*	354	204	187	**745**
Fines	*wmt*	190	68	107	**365**
Low grade screen	*wmt*	17	143	98	**258**
Total	*wmt*	**561**	**415**	**392**	**1,368**
Transport to Mullewa Railhead					
Lump	*wmt*	335	194	105	**634**
Fines	*wmt*	173	106	94	**373**
Total	*wmt*	**508**	**300**	**199**	**1,007**
Transport to Geraldton Port					
Lump	*wmt*	320	236	110	**666**
Fines	*wmt*	186	113	78	**377**
Total	*wmt*	**506**	**349**	**188**	**1,043**
Shipping					
Lump	*wmt*	322	300	97	**719**
Fines	*wmt*	178	128	50	**356**
Total	*wmt*	**500**	**428**	**147**	**1,075**
Shipping					
Lump	*dmt*	317	296	96	**709**
Fines	*dmt*	174	125	49	**348**
Total	*dmt*	**491**	**421**	**145**	**1,057**

Much of the ore production during the March quarter was from the lower quality and lower grade T5 satellite open pit. In order to meet customer specifications, T5's ore production is blended with higher grade and quality production expected from the cut back of T3. Higher grade T3 cut back ore production was scheduled during the quarter however the Fe grade of material mined from this pit was lower than modelled whilst the geology of the mined area was more complex than historical interpretations.

Historical geological information in the upper sections of the Tallering Peak ore body is limited due to drill hole intersections being widely spaced compared with the remainder of the mineralised structure. Drill hole density in the upper section of the Tallering Peak ore body is relatively low due to the steep relief of the Tallering Range restricting drill rig access which limited historical drilling to the more accessible lower slopes of the Range.

The ore tonnes associated with the upper sections of the Range do not contribute significantly (less than 4%) to the remaining resource however reduced ore presentation from this ore zone has impacted March quarter production and sales. Further ore is scheduled to be mined from the upper section of the Tallering Peak resource within the T3 cut back during the June quarter. This will impact production and sales if the current reconciliation trend continues. MGI expects to be producing from higher confidence ore zones by the end of this financial year.

To ensure the Tallering Peak operation can forecast short and medium term production to the end of calendar year 2008 with a greater degree of confidence, the mine has commenced a 15,400m drilling program to infill the current resource within the planned open pit to a nominal 25m by 25m spacing. A further infill program for the remaining LOM will commence in the second half of calendar year 2007.

During the June quarter Tallering Peak will source a larger scale and more efficient blast hole drilling fleet to increase drilling performance and reduce drilling costs. The operation will also explore opportunities to improve bulk explosives consumption to reduce blasting costs.

MGM recently purchased the on-site contract crushing plant and equipment at Tallering Peak, which has a throughput capacity of 3Mtpa. This purchase removes the risk of escalating contract crushing costs and eliminates any risks associated with the installation of replacement crushing plant and equipment. The Company is confident of reducing crushing and screening costs at Tallering Peak as MGM personnel assume responsibility for operating and maintaining the crushing and screening facility.

MGM also took delivery of 34 new rail wagons on the 13th March 2006. These wagons are undergoing readiness testing and will be ready for operational use by the end of April. The delivery of these rail wagons and their subsequent commissioning provides MGM with the rail transport capacity to achieve 3Mtpa production rates from Tallering Peak for the LOM.

Forecast sales of ore from the Tallering Peak operations for the 6 months ending 30 June 2006 will be 706,000 tonnes resulting in a forecast profit after tax for MGI of $5.0 million for the 6 months ending 30 June 2006.

EXTENSION HILL MAGNETITE PROJECT

MGI's 72% owned subsidiary, Asia Iron Holdings Limited ("AIHL") has completed a feasibility study for the production of 5Mtpa of magnetite concentrate from the proposed Extension Hill mine in the Mt Gibson Ranges, 280 kilometres south east of Geraldton in Western Australia.

Capital costs for the Extension Hill Magnetite Project, excluding working capital, and capitalised interest is estimated at $715 million. These costs include construction of the mine, crusher, concentrator, site infrastructure and a 270 kilometre slurry pipeline from the mine site to Geraldton Port. The feasibility study estimates the operating costs at U$28/tonne of magnetite concentrate FOB Geraldton.

Discussions are continuing between AIHL and Shougang, the potential participants in the development and operation of the Extension Hill mine, concentrator and slurry pipeline, with both parties agreeing to extend the in-principle commitment decision date to the end of May 2006.

AIHL's wholly owned Chinese subsidiary, Asia Iron (Nanjing) Co., Ltd is finalising the feasibility study for a 2.5Mtpa pellet plant expected to be constructed at the port of Longtan on the Yangtze River near Nanjing.

AIHL plans to use 50% of the concentrate from the Extension Hill mine as eventual feed for the proposed Longtan pellet plant however AIHL is also exploring alternate concentrate supplies that may facilitate early construction and commissioning of the pellet plant.

MGI is reviewing its level of participation and ultimate contribution to the Extension Hill magnetite project, Longtan pellet plant and its investment in AIHL.

EXTENSION HILL HEMATITE DESKTOP STUDY

MGI management have commenced a detailed desktop evaluation of the viability of establishing a hematite mining operation at Extension Hill. The desktop evaluation will be completed by the end of next quarter.

MGI, through its 100% owned subsidiary MGM has the rights to explore for and mine direct shipping grade hematite within the Mt Gibson tenements owned by AIHL.

The current hematite resource within the Mt Gibson tenement area is 12.8Mt @ 61.35% Fe. 10.8Mt of this resource has been identified at Extension Hill overlying the large Extension Hill magnetite resource. A cross section of the Extension Hill Hematite resource is shown in Figure 2.

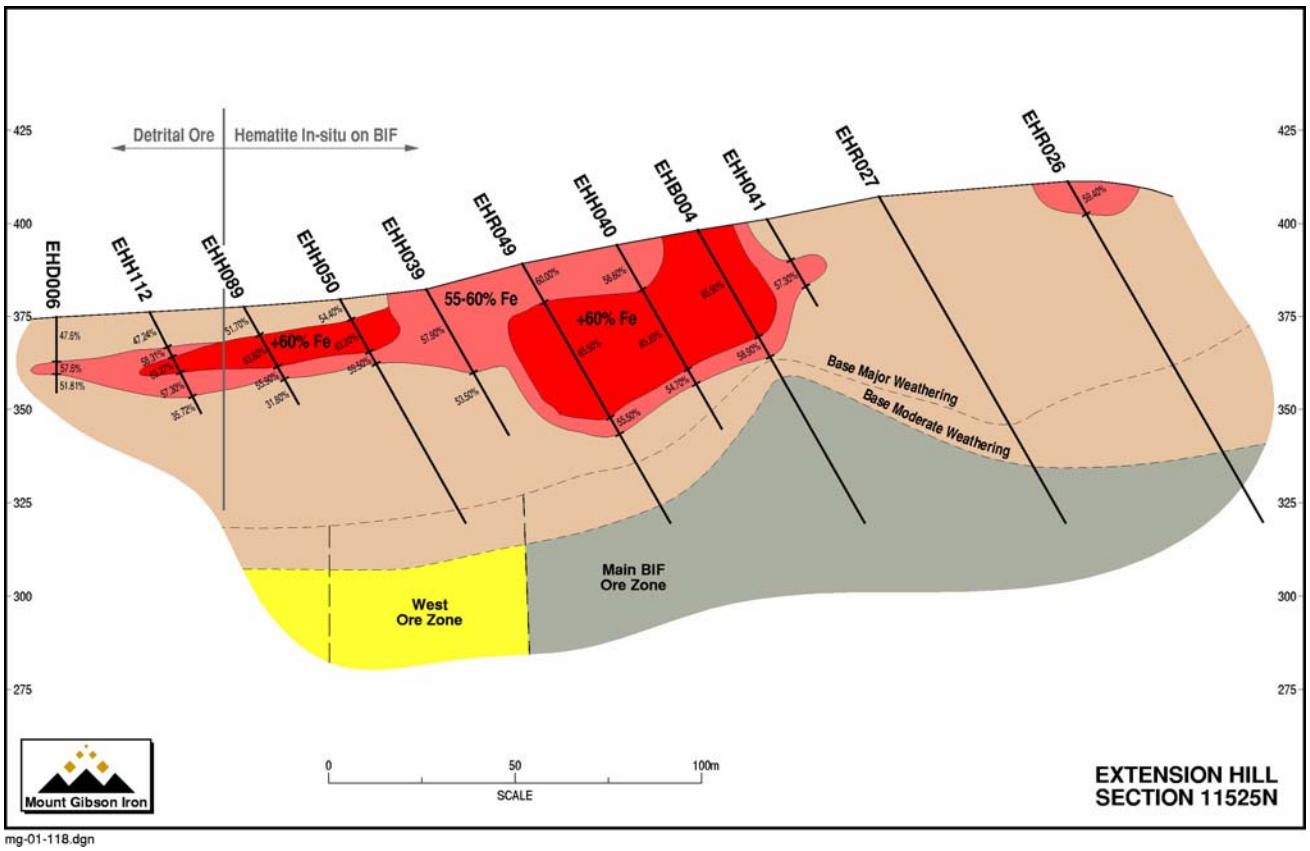

Figure 2: Extension Hill Hematite Cross Section 11525N

The Mt Gibson tenements are considered highly prospective for extensions to the presently identified hematite resources and additional discoveries of further hematite mineralisation.

The Extension Hill hematite resource Fe grade and Lump - Fines ratio is lower than Tallering Peak however the strip ratio associated with mining the resource is expected to be significantly better than Tallering Peak's overall LOM strip ratio of 6:1.

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Further drilling of the hematite resource at Extension Hill was completed during the quarter with extensions to the known mineralisation being identified. Drill hole samples have been submitted for assay and metallurgical testing and results are pending. Should the desktop study support the development of a hematite mining option at Extension Hill further infill drilling of the existing resource will be necessary to validate the current geological interpretation and to further define high grade hematite mineralisation.

A strong technical and financial result from the Extension Hill desktop study will prompt a full feasibility study of the Extension Hill hematite resource. Significant design, engineering, licensing and approvals progress has been achieved through the Extension Hill Magnetite Feasibility Study which will benefit the completion of the Extension Hill Hematite Feasibility Study.

Any hematite production from Extension Hill hematite is likely to coincide with the commissioning of the Berth 5 iron ore ship loading facility at Geraldton Port late in 2007 and it is anticipated that the decommissioned mining fleet from Tallering Peak will be redeployed to mine the Extension Hill hematite resource, thus minimising capital expenditure.

EXPLORATION AND EVALUATION EXPENDITURE

Expenditure of $2.7 million was incurred during the quarter on further evaluation and exploration of hematite and magnetite deposits. The majority of the expenditure ($2.6 million) was incurred by AIHL on conducting the Extension Hill Magnetite feasibility study.

Angela Dent
Company Secretary