

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED (“MOUNT GIBSON”) QUARTERLY REPORT FOR THE PERIOD ENDED 30 September 2010 ASX ANNOUNCEMENT 18 OCTOBER 2010

HIGHLIGHTS

- Strong ore production performance
- Solid ore sales performance with increased sales scheduled in the December quarter
- Extension Hill project construction fully underway, on time and on budget
- State Government approves Geraldton Port train unloader upgrade
- Koolan Island Main Pit re-entry progressing as scheduled with project works to be completed by mid 2011 and Stage 1 mining scheduled to intensify from the December 2010 quarter
- Ore Reserves and Resources maintained
- Outstanding iron ore intercepts within Koolan Island Main Pit envelop
- Strong exploration targets identified from Koolan Island western end reconnaissance
- Cash and deposits of \$365 million at the end of the quarter after \$25 million debt repayment

QUARTERLY REPORT



OPERATIONS

Tallering Peak

Tallering Peak ore production was in line with planned production. Waste movements were 25% higher than the previous quarter, primarily resulting from planned pre-stripping in T6b1 and T6b2 areas which removes the saddle between the original T3 and T4 open pits.

During the quarter, high grade ore was sourced from T6a2 and blended with ore accessed from T2 and T5 pits. Waste movement focussed on exposing ore in T6a3 pit while developing T6b1 and T6b2 cutbacks. Mining of the T5 pit was completed during the quarter and will be backfilled with waste from the Main Range Pit.

Crusher throughput was scaled back during the quarter as final ore product stockpiles at Mullewa's Ruvidini rail siding and the Geraldton Port approached 1 million tonnes. As a consequence of the high level of final product stocks improvement modifications to the crushing plant and opportune maintenance was completed on the crushing and screening facility.

Road haulage to Mullewa was consistent with the record June quarter and exceeded the corresponding quarter last year by 28%. Railing was 8% below the June quarter and consistent with the corresponding period last year, primarily resulting from poor weather conditions at Geraldton Port delaying the loading of vessels which led to a cessation of railing due to full storage facilities at the port. The reduced ship loading availability and the resulting late presentation of customer vessels reduced sales by 17% when compared with the previous quarter and was 5% below the corresponding quarter last year. Shipments in the December quarter are scheduled to increase significantly ensuring the delivery of the annual sales estimate.

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

		Sept 2010 qtr 000's	TOTAL 10-11 000's
Mining			
Waste Mined	bcm	2,543	2,543
Ore Mined	wmt	921	921
Crushing			
Lump	wmt	437	437
Fines	wmt	324	324
Total	wmt	761	761
Transport to Mullewa Railhead			
Lump	wmt	443	443
Fines	wmt	447	447
Total	wmt	890	890
Transport to Geraldton Port			
Lump	wmt	329	329
Fines	wmt	395	395
Total	wmt	724	724
Shipping			
Lump	wmt	286	286
Fines	wmt	401	401
Total	wmt	687	687

QUARTERLY REPORT



Comparison between figure 1 and figure 2 shows the progress of Talling Peak's Main Range mining operations in the September 2010 quarter.

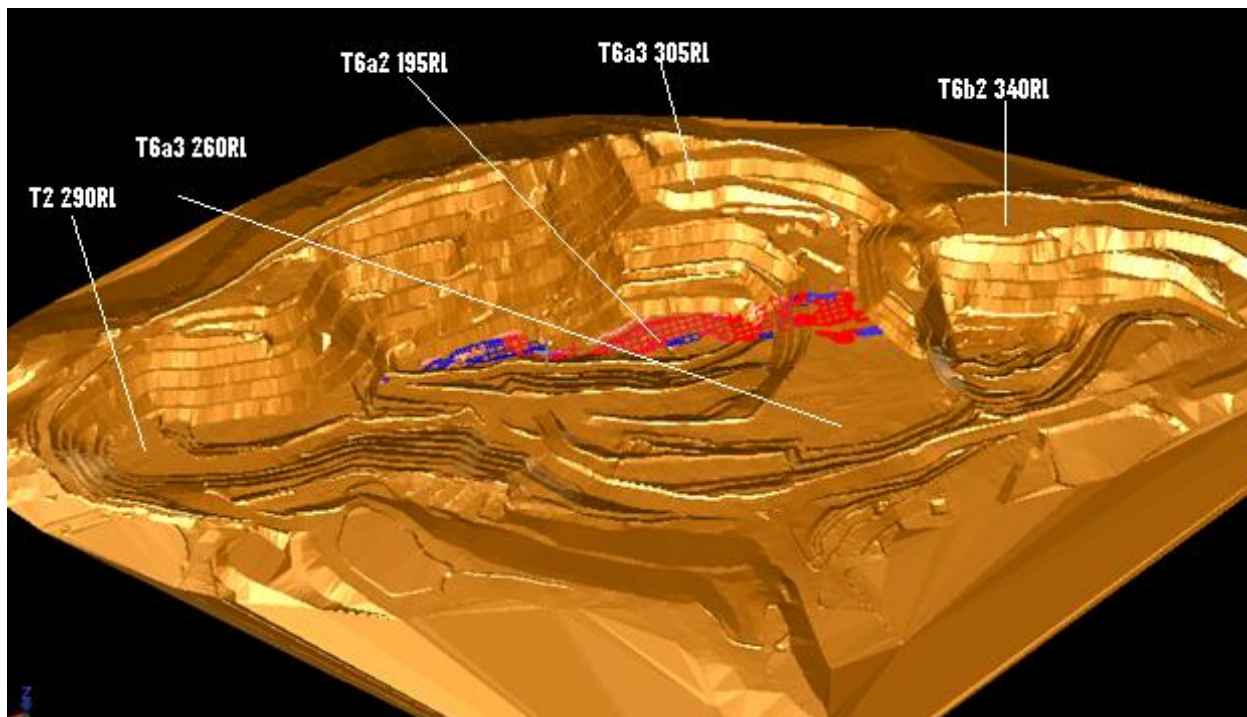


Figure 1 - Main Range mining as at the end of the June 2010 quarter

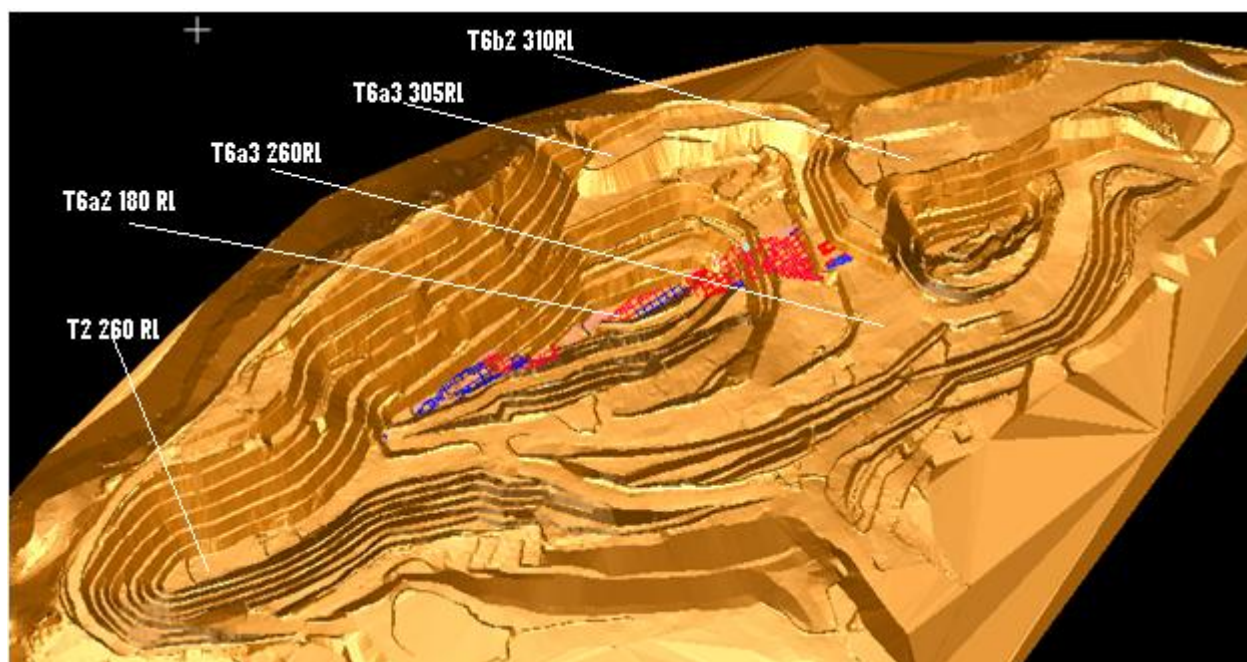


Figure 2 - Main Range mining as at the end of the September 2010 quarter

The T6b2 and T6a3 cutbacks will remain the priority mining area over the December quarter.

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Figure 3 - Main Range Pit looking west from the T2 cutback



Figure 4 - Main Range operation looking northwest from the high-wall

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Koolan Island

Total material movement for the quarter was consistent with the previous quarter whilst ore mined was also in line with the June quarter and as scheduled.

The saturated floor conditions in Eastern Pit resulting from unseasonal rainfall in the June quarter persisted throughout the September quarter as the last remaining benches were mined. Eastern Pit will be completed in December 2010 allowing available equipment redeployment to Western, Mullet – Acacia and Main pits. An increase in total material movement is forecast for the remainder of the financial year as the intensity of the southern wall cut back of Main Pit increases in preparation for Main Pit Stage 1 which is scheduled to commence ore production in the December 2011 quarter. Quartzite was selectively mined from Main Pit / Crusher Hill and delivered for construction of the outer embankment of the seawall.

Crushing and screening was 8% below the previous quarter as a result of unplanned primary and secondary crusher outages. Despite a reduction in the availability of the crushing facility, ore sales increased 23% compare with the June quarter and were in line with the schedule. Ore sales are planned to increase approximately 20% in the December quarter.

A total of 486,000 tonnes was placed on the seawall in the September quarter. The placement of rockfill in the inner zone of the seawall commenced and assembly of the drilling platform for installation of the instrumentation for the seawall was completed with drilling equipment due on the island in October.

The water level in Main Pit has been lowered to -24rl following completion of construction of the catch fence on the -21rl berm.

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

		Sept 2010 qtr 000's	TOTAL 10-11 000's
Mining			
Waste Mined	bcm	3,001	3,001
Ore Mined	wmt	919	919
Crushing			
Lump	wmt	277	277
Fines	wmt	397	397
Total	wmt	674	674
Shipping			
Lump	wmt	286	286
Fines	wmt	515	515
Total	wmt	801	801

QUARTERLY REPORT



Figure 5 - Mullet Pit at the end of September 2010 looking north east

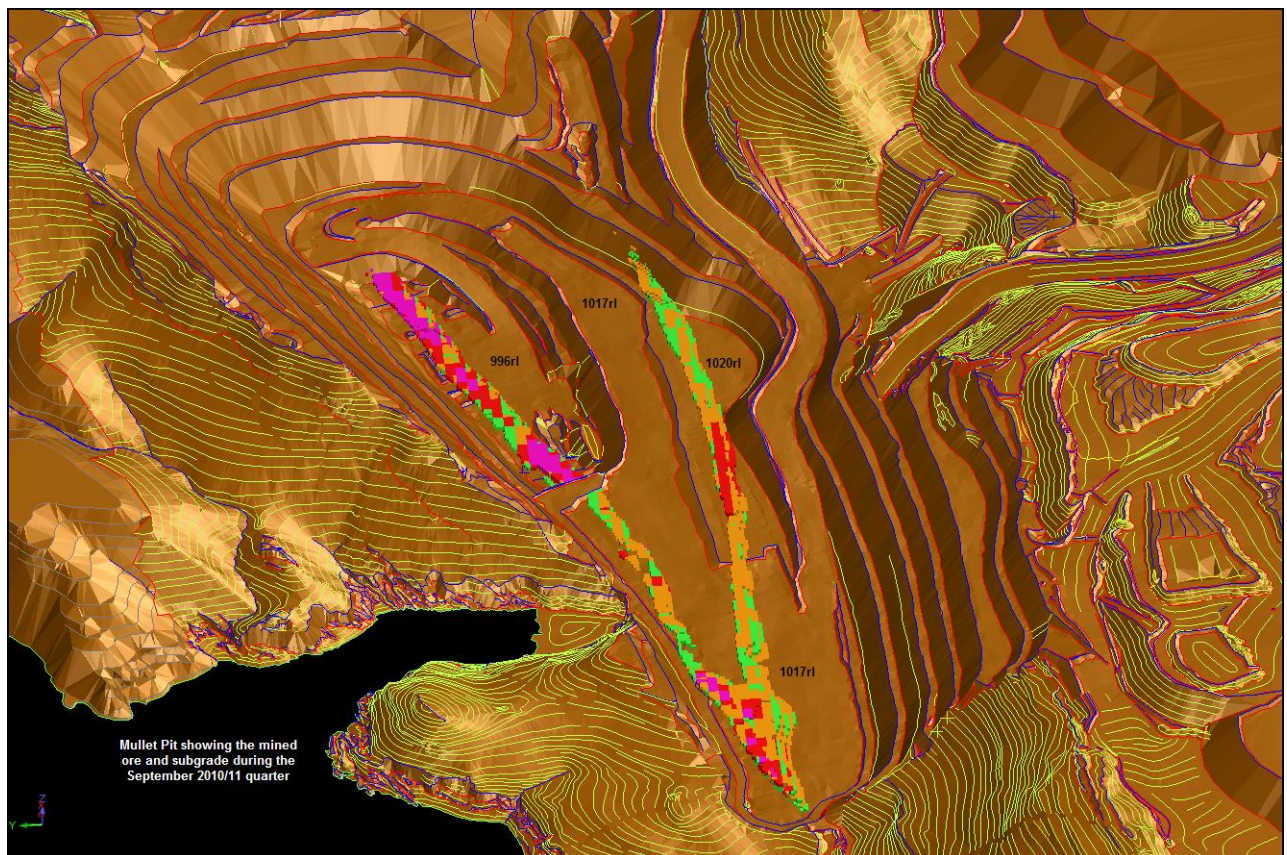


Figure 6 - Mullet Pit looking south west at the end of September 2010 showing bench development

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Figure 7 - Eastern Pit at the end of September 2010 looking north

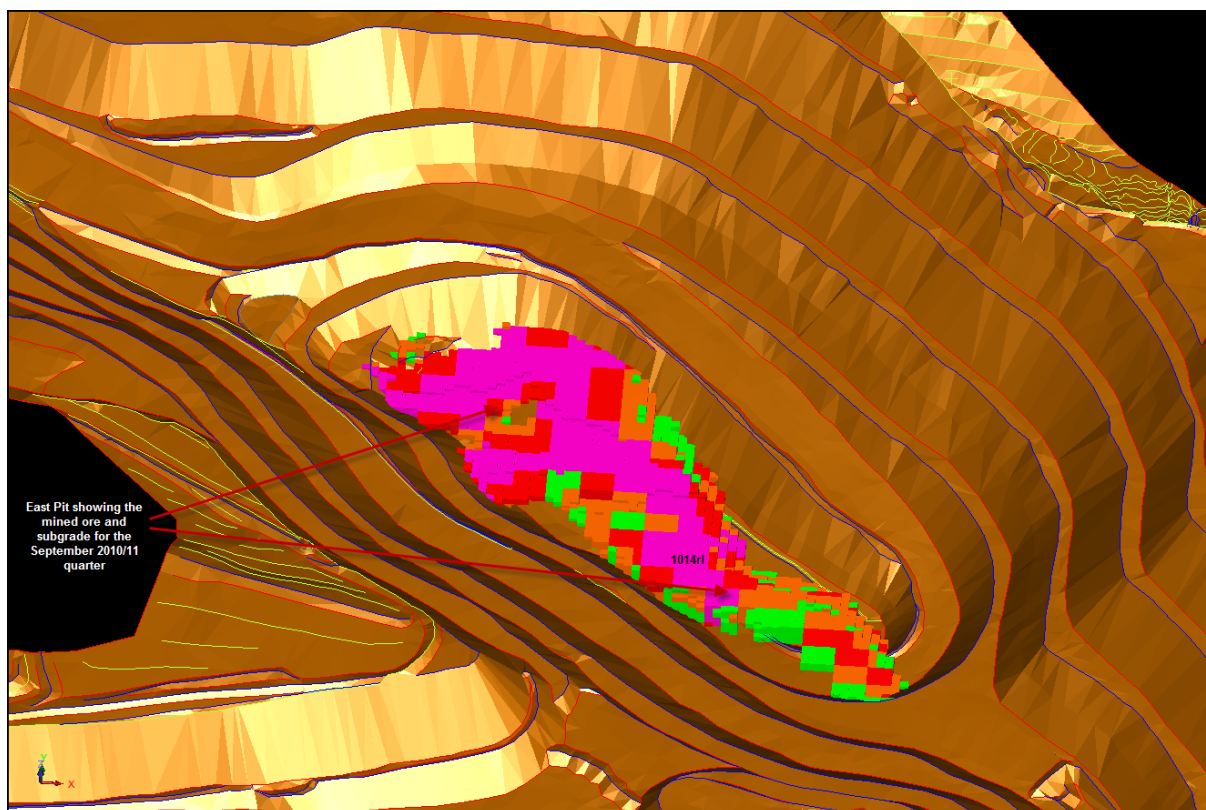


Figure 8 - Eastern Pit at the end of September 2010 looking north-west showing bench development

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Figure 9 – Barramundi West Pit at the end of September 2010 looking north east

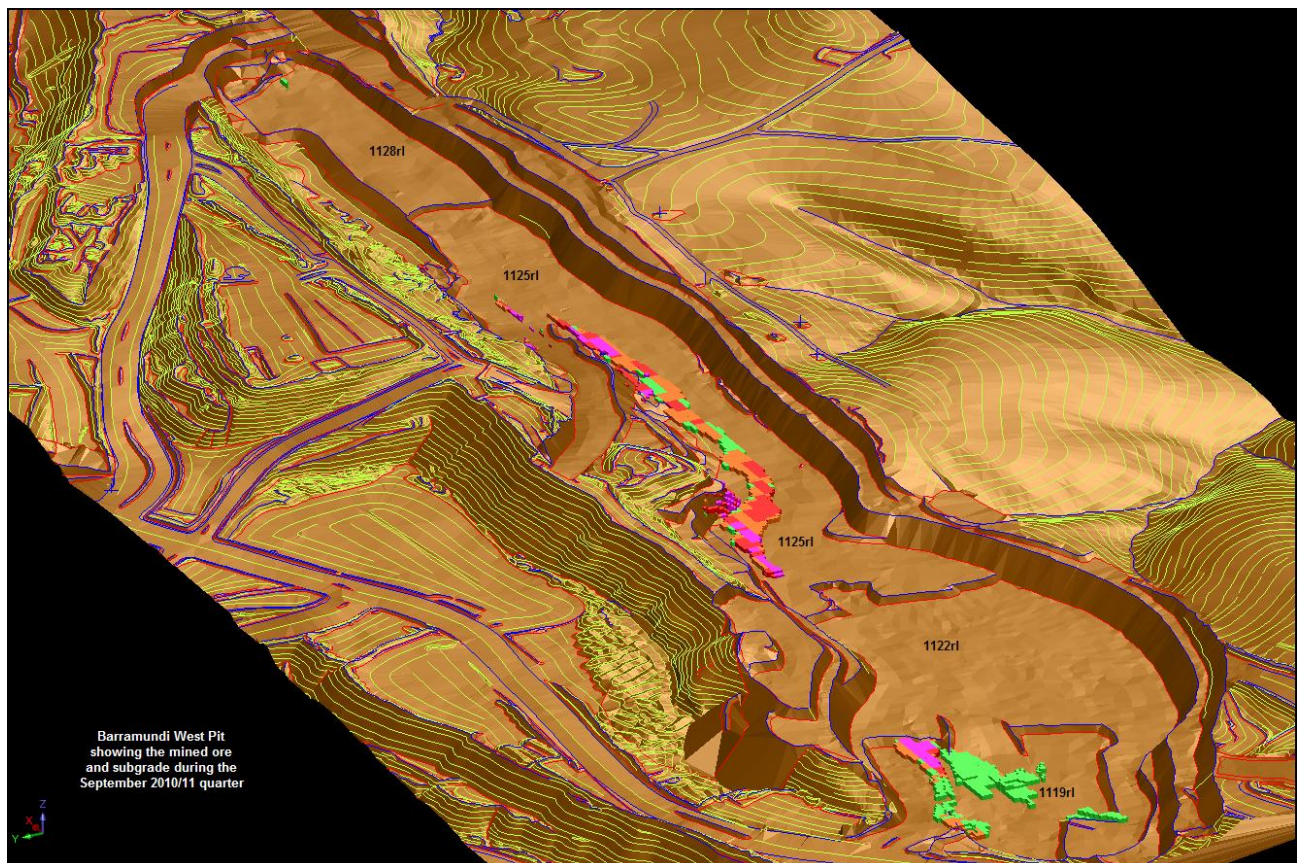


Figure 10 – Barramundi West Pit at the end of September 2010 looking south east showing bench development

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Figure 11 – Bench development of Stage 1 Main Pit at the end of September looking south

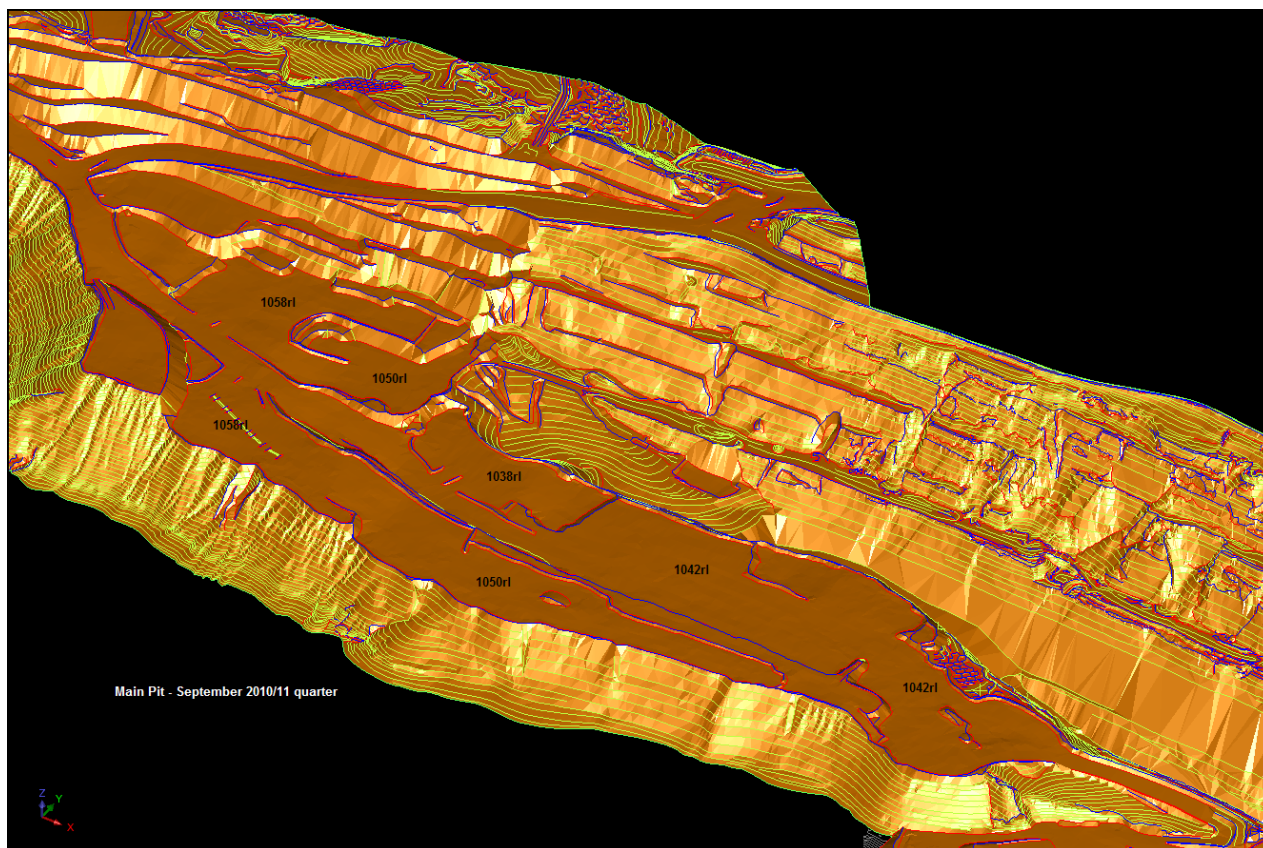


Figure 12 – Main Pit south wall cut back and Stage 1 at the end of September 2010 looking north west

Mount Gibson Iron Limited
 ABN 87 008 670 817
 Level 1, 7 Havelock Street
 West Perth WA 6005
 PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
 Luke Tonkin, Managing Director
 Alan Rule, Chief Financial Officer

QUARTERLY REPORT



Figure 13 – Seawall at the end of September 2010 looking south west

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer



EXPLORATION

Drilling continued throughout the quarter at Koolan Island and was focused solely on resource infill drilling in Main Pit (Figure 14). A total of 24 reverse circulation holes were completed for 3367m.

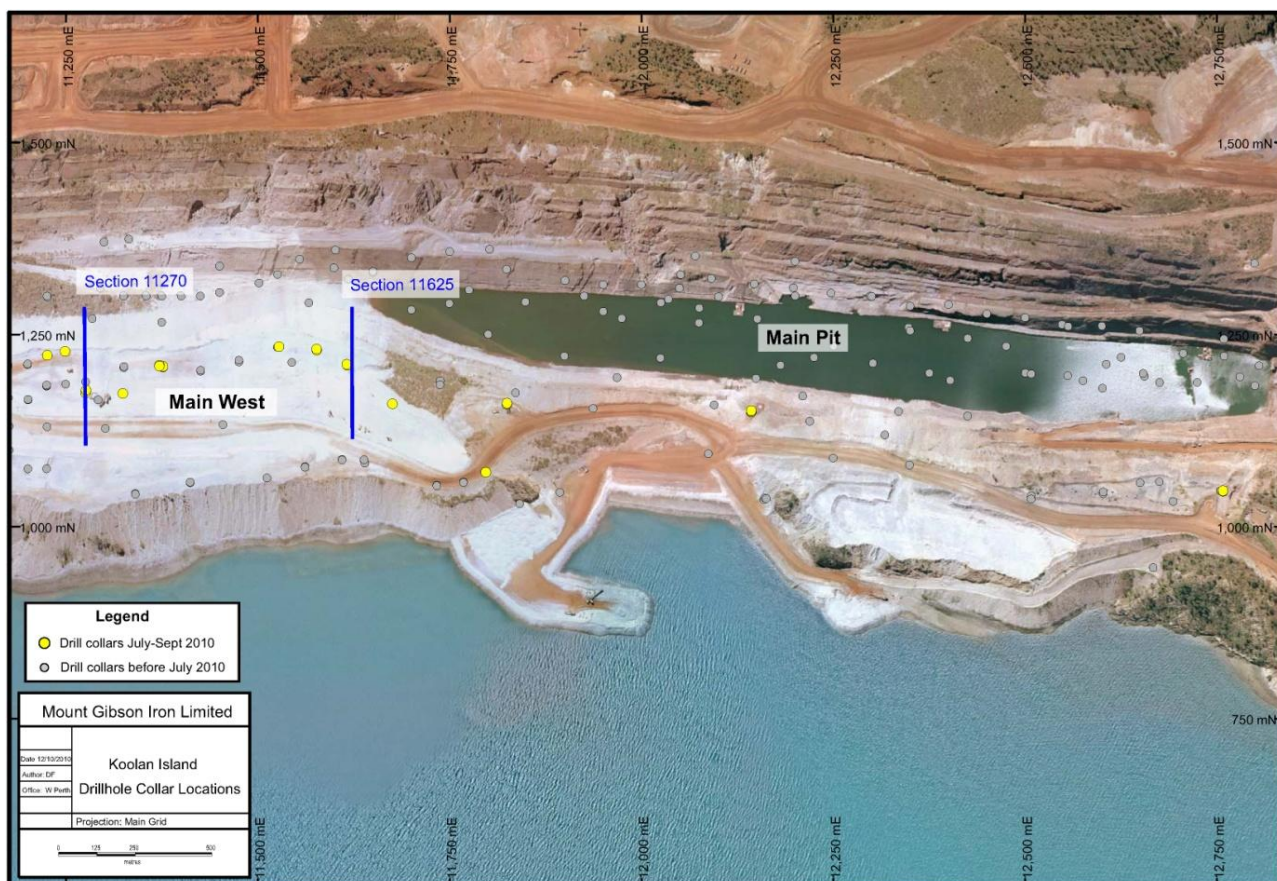


Figure 14 – Plan of Main Pit showing drillhole collar locations for holes drilled during the quarter (yellow circles) and all previous drilling (grey)

The drilling has successfully continued to convert remaining in-pit inferred resources to reserves and improve ore definition required for short term mine planning. Conversion of resource to reserves in Main Pit has contributed to the almost total replacement of ore reserves depleted by mining in the previous calendar year.

New drilling results, as tabulated below have demonstrated the robustness of the Main Pit resource and generally have resulted in the definition of a thicker orebody than interpreted from wider spaced drilling.

Selected cross sections showing drilling results are included as figure 15 and 16. The section locations are shown on figure 14.

QUARTERLY REPORT



Table of significant assay results (>5 m, >55% Fe).

Hole Id	From m	To m	Length m	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %
PKRC1394*	114	126	12	66.87	2.40	1.02	0.010	0.004	0.370
PKRC1398	98	121	23	68.46	1.13	0.57	0.013	0.003	0.35
PKRC1399	114	146	32	68.07	0.97	0.69	0.010	0.003	0.36
PKRC1400	88	110	22	67.76	1.80	0.79	0.008	0.002	0.38
PKRC1401	123	154	31	68.13	2.07	0.73	0.013	0.002	0.34
PKRC1402	102	125	23	67.55	2.64	0.81	0.007	0.003	0.39
PKRC1403	150	157	7	67.23	1.46	0.94	0.021	0.006	0.39
PKRC1404	129	161	32	68.83	0.99	0.60	0.006	0.004	0.27
PKRC1405	72	98	26	68.02	2.35	0.59	0.007	0.002	0.29
PKRC1406	131	166	35	68.82	0.78	0.37	0.005	0.003	0.21
PKRC1407	114	150	36	65.02	5.44	0.68	0.006	0.003	0.41
PKRC1408	135	145	10	67.93	1.27	0.86	0.012	0.005	0.45
PKRC1409	102	131	29	69.19	0.77	0.50	0.014	0.003	0.27
PKRC1410	83	106	23	67.38	1.96	0.95	0.009	0.005	0.60
PKRC1411	153	179	26	63.44	4.51	2.64	0.015	0.010	0.70
PKRC1412	69	88	19	66.87	2.56	0.98	0.008	0.004	0.69
PKRC1413	159	198	39	64.59	6.18	0.72	0.009	0.004	0.31
PKRC1414	129	166	37	67.84	2.14	0.52	0.007	0.005	0.27
PKRC1415	106	147	41	68.07	1.79	0.78	0.005	0.004	0.45
PKRC1416*	246	254	8	66.33	3.35	0.99	0.015	0.004	0.85

*Holes did not fully penetrate the mineralised zone due to hole collapse.

QUARTERLY REPORT

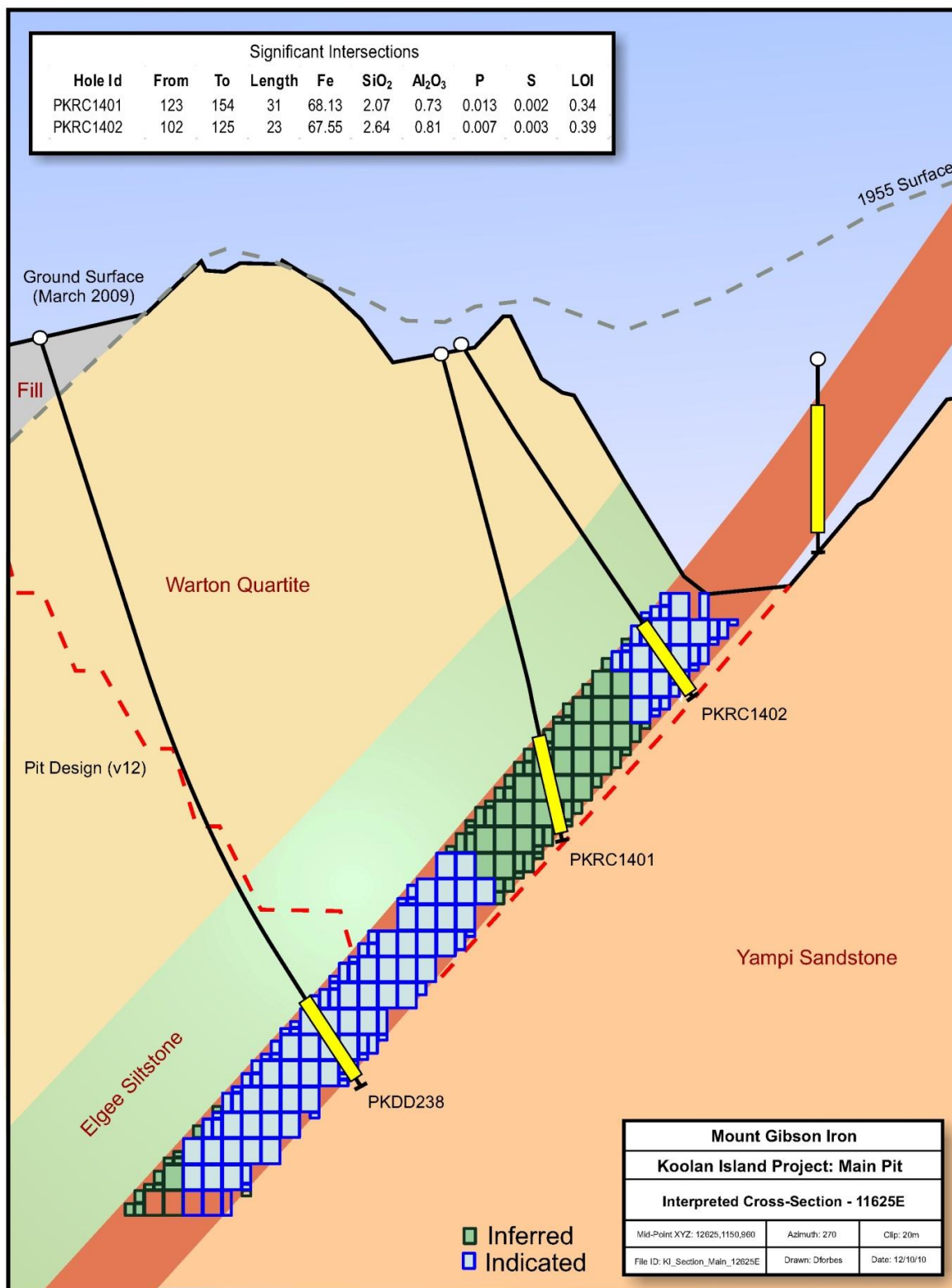


Figure 15 – Section 11625E, looking west, Main Pit.

Mount Gibson Iron Limited
 ABN 87 008 670 817
 Level 1, 7 Havelock Street
 West Perth WA 6005
 PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
 Luke Tonkin, Managing Director
 Alan Rule, Chief Financial Officer

QUARTERLY REPORT

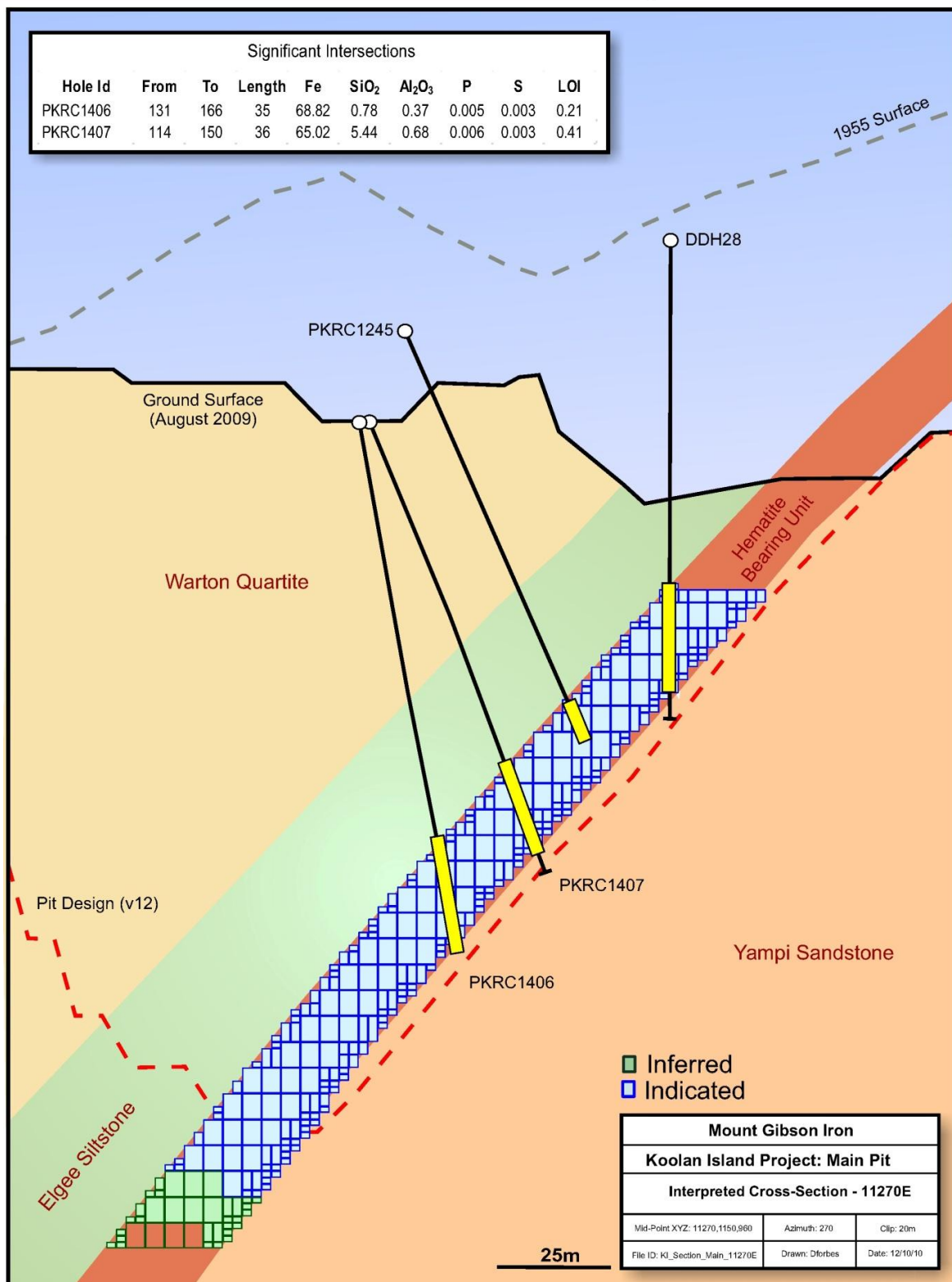


Figure 16 – Section 11270E, looking west, Main Pit.

Mount Gibson Iron Limited
 ABN 87 008 670 817
 Level 1, 7 Havelock Street
 West Perth WA 6005
 PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
 Luke Tonkin, Managing Director
 Alan Rule, Chief Financial Officer

QUARTERLY REPORT



At Talling Peak remodelling of the T4 ore zone at the western end of the Main Range orebody is in progress, utilising new data from in-pit drilling undertaken in June. This allowed the interpretation of the mineralisation to extend deeper where it narrows and decreases in grade (Figure 17). The new data also allowed modelling of the high sulphur footwall unit that is also present in T6.

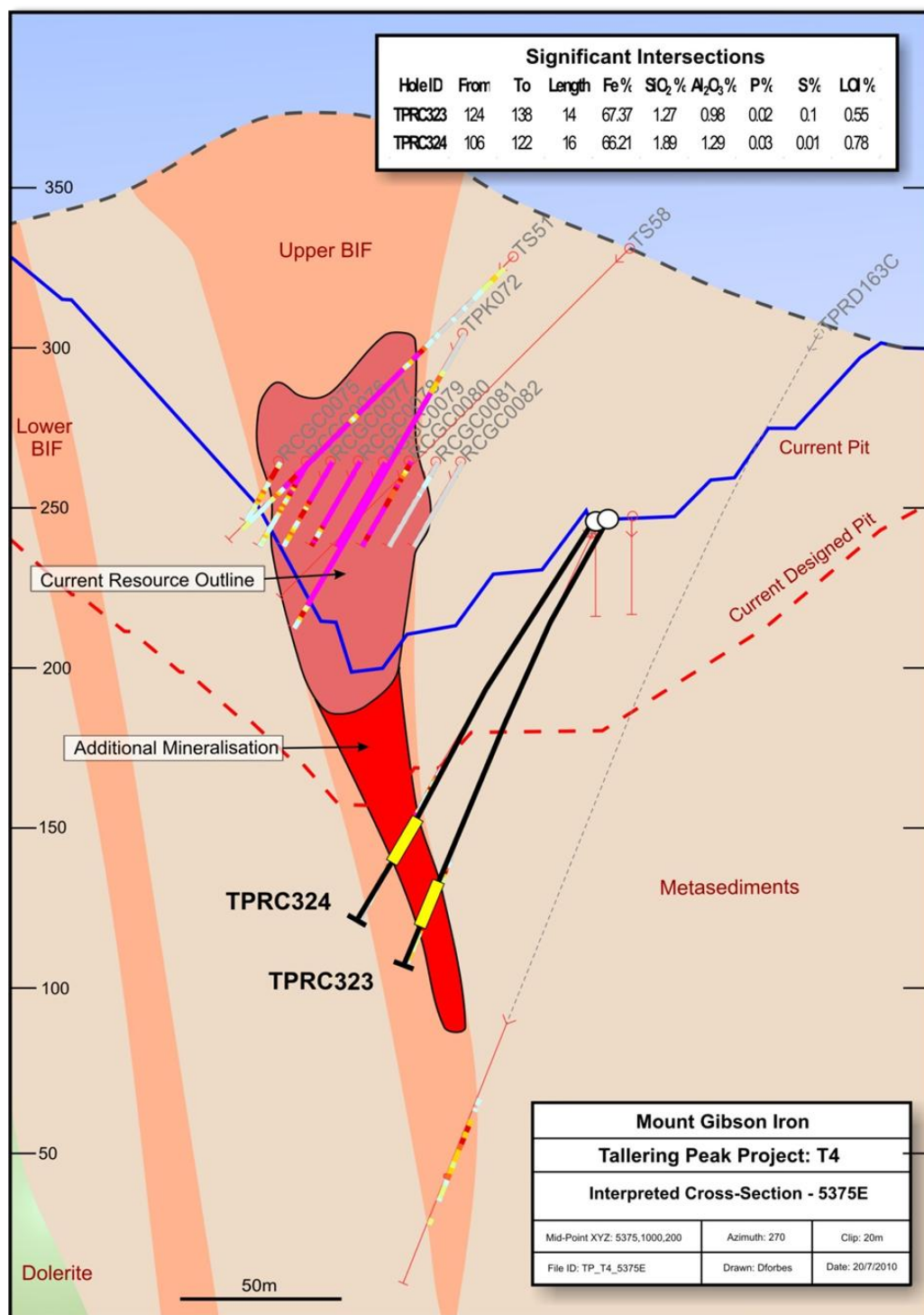


Figure 17 – Section 5375EE, looking west, T4 Pit, Talling Peak.

QUARTERLY REPORT



As announced on 10 September 2010, the ongoing infill and extensional drilling at Koolan Island including definition of the resource at Acacia East and remodeling of Extension Hill during the 2010 financial year lead to an increase in the total resources of 11.9 million tonnes (offsetting the resource depletion of 8.05 million tonnes) and an increase in reserves of 7.21 million tonnes (against a reserve depletion of 7.48 million tonnes).

The Mount Gibson Resource and Reserve Statement, as at 30 June 2010 is summarised below:

Resources

	<i>Tonnes (millions)</i>
As at 30 June 2009	104.7
Production Resources depletion (>50% Fe)	(8.05)
Resources increase	11.9
As at 30 June 2010	108.6

The Resources increase is attributable to infill and extensional drilling at Koolan Island and remodelling of Extension Hill during the 2010 financial year.

At 30 June 2010, above 50% Fe:

Koolan Island

	<i>Tonnes (millions)</i>	<i>Fe (%)</i>	<i>SiO₂ (%)</i>	<i>Al₂O₃ (%)</i>	<i>P (%)</i>
Measured	12.4	59.7	12.4	1.25	0.02
Indicated	45.5	63.8	7.00	0.78	0.01
Inferred	16.4	61.4	10.9	0.70	0.01
Total	74.3	62.6	8.77	0.84	0.01

Tallering Peak

	<i>Tonnes (millions)</i>	<i>Fe (%)</i>	<i>SiO₂ (%)</i>	<i>Al₂O₃ (%)</i>	<i>P (%)</i>
Measured	6.92	62.6	4.56	2.29	0.03
Indicated	3.24	59.3	7.42	2.98	0.06
Inferred	1.01	56.2	12.1	4.69	0.07
Total	11.2	61.1	6.07	2.70	0.04

QUARTERLY REPORT



Extension Hill

	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
Measured	14.1	58.0	7.03	2.10	0.06
Indicated	6.72	58.0	8.98	1.71	0.06
Inferred	2.31	62.4	5.29	1.34	0.05
Total	23.1	58.4	7.42	1.91	0.06

Total	108.6	61.5	8.21	1.26	0.03
--------------	--------------	-------------	-------------	-------------	-------------

NOTE: All estimates quoted to three significant figures. Rounding errors may occur.

Reserves

	Tonnes (millions)
As at 30 June 2009	56.7
Production Reserves depletion	(7.48)
Reserves increase	7.21
As at 30 June 2010	56.4

The Reserves increase is attributable to addition of a new pit and conversion of in-pit Inferred Resource at Koolan Island and remodelling at Extension Hill, partly enabled by infill and extensional drilling programs during the 2010 financial year.

Koolan Island

	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
Proved	6.87	60.3	12.0	1.01	0.02
Probable	26.4	64.2	6.33	0.90	0.01
Total	33.3	63.4	7.49	0.92	0.01

Tallering Peak

	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
Proved	6.45	61.9	5.07	2.43	0.03
Probable	1.94	58.7	7.63	3.45	0.03
Total	8.39	61.2	5.66	2.66	0.03

QUARTERLY REPORT



Extension Hill					
	Tonnes (millions)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)
Proved	10.5	59.3	5.51	1.80	0.06
Probable	4.23	59.8	7.17	1.34	0.06
Total	14.8	59.4	5.99	1.67	0.06

Total	56.4	62.0	6.83	1.38	0.03
--------------	-------------	-------------	-------------	-------------	-------------

Note: Reserves exclude ore and product stocks.

Koolan Island West End

A mapping program was undertaken over the western end of Koolan Island on Exploration Licence E04/1266, an area inaccessible until earlier this year. The entire western end is composed of Yampi Formation which also hosts the existing orebodies on Koolan Island, with a large and varying abundance of interbedded hematitic sandstone. Some high grade hematitic sandstone beds outcrop over many hundreds of metres of strike length and up to 10 metres thick (figure 18). Some are highly siliceous and outcrop strongly while others are friable and comparatively recessive. Limited rock chip samples were collected with the best result of 67.3% Fe.

The main fold axes, in particular the Mullet-Acacia antiform (figure 19), were traced for over four kilometers to the western end of the island.

A drilling program of over thirty exploration holes has now been defined and approval to commence drilling is being sought from the Department of Mines and Petroleum.

QUARTERLY REPORT

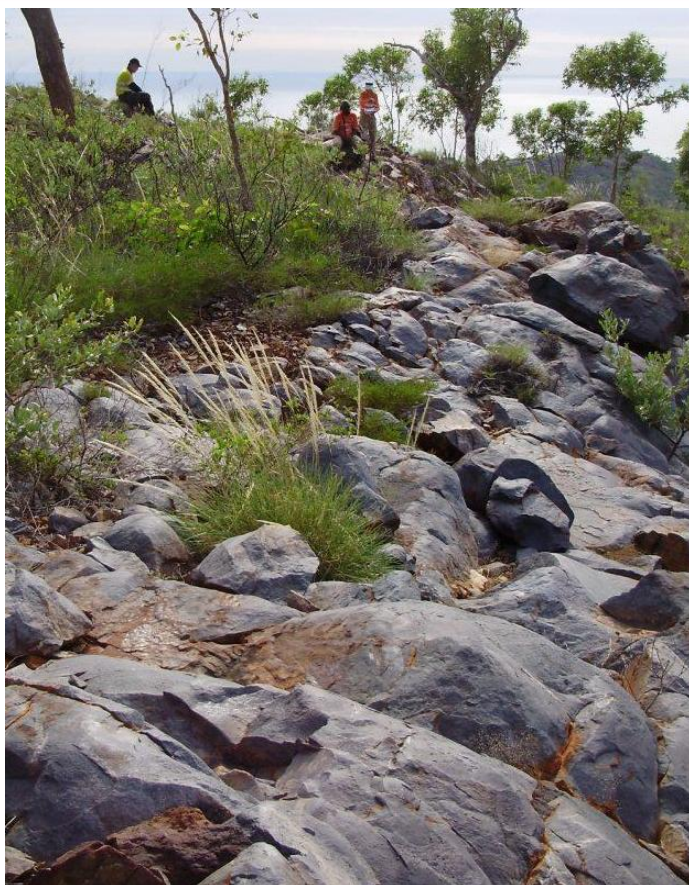


Figure 18 – High grade hematitic sandstone outcrop, western end, Koolan Island.



Figure 19 – Exposure of the Mullet-Acacia Antiform in Mud Bay.

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer



EXTENSION HILL DIRECT SHIPPING ORE (“DSO”) PROJECT

The DSO Project continued to gather pace during the quarter with substantial progress being made with civil works on the project. The current status of the key area is detailed below.

Extension Hill Mine Site

- The temporary accommodation and messing facilities located at the nearby Mt Gibson Gold mine are being fully utilised providing accommodation for the earthworks crews and miscellaneous contractors for the project.
- The Extension Hill Village earthworks were completed and handed over to the contractor carrying out the construction of the village. The village will provide accommodation for 130 occupants and buried services are being installed to allow the village to be expanded to 200 rooms.
- The majority of the site bulk earthworks were completed and were ready for hand over. In particular the crushing and screening area neared completion whilst the administration area, workshops and stores area were all completed. The bulk earthworks contractor was finalising works on the non essential haul roads around the site and is scheduled to complete all activities in late October.
- The design of the crushing and screening plant continued with the long lead items (primary and secondary crushers) being delivered late in the quarter. Site concrete works are scheduled to commence in mid October and the crushing and screening plant completed in April 2011.
- Works on the Great Northern Highway realignment continued with all clearing works completed and road embankment construction being undertaken. The excavation for the underpass at Wanarra Road was carried out with pouring of the first concrete for the underpass being scheduled for mid October. The realignment is scheduled for completion in January 2011.

Transport Corridor

- The upgrade of the haul road from site to the Perenjori rail siding continued throughout the quarter. With the cooperation of the Shires of Yalgoo and Perenjori, the Wanarra road has been closed to the general public. This enables the substantial amount of road-works being undertaken to upgrade this road to be performed with an increased level of safety and efficiency. Completion of the sealed highway is scheduled for March 2011.
- The contract for the construction of the rail siding was awarded during the quarter and the contractor will commence to mobilise to site in October.
- Works on the rail line between Perenjori and the Port is scheduled for completion by WestNet rail by June 2011.
- All the project rail wagons have been procured and are commissioned ready for operations to commence.
- Tenders closed for the haulage of Extension Hill product from the mine site to the rail siding during the quarter. Finalisation of the contract with the successful tenderer is anticipated in October.

Geraldton Port – Berth 5 Storage Facility

- The Structural Steel and Mechanical Installation Contractor has continued as scheduled during the quarter with the cladding of the Berth 5 Storage shed being substantially completed. Installation of the internal conveying systems is progressing as planned.
- The electrical and instrumentation contract was awarded and works commenced.
- The ore storage facility is scheduled for commissioning in February 2011.



GPA Train Unloader Upgrade

The State Government has approved the upgrade of the train unloading facility (“**upgrade**”) at the Geraldton Port. Rail unloading capacity at the Geraldton Port will increase to 3000 tonnes per hour. Mount Gibson has agreed to fund the upgrade up to \$20 million which is expected to be completed in time for the first shipments from Extension Hill in the September 2011 quarter.

The upgraded train unloading facility will remain a common user facility with Mount Gibson receiving a rebate from the Geraldton Port Authority should other users wish to use the facility over the next 10 years, capped at 20 million tonnes of third party throughput.



Figure 20 – Berth 5 Storage Facility in-loading conveyor and tripper

QUARTERLY REPORT

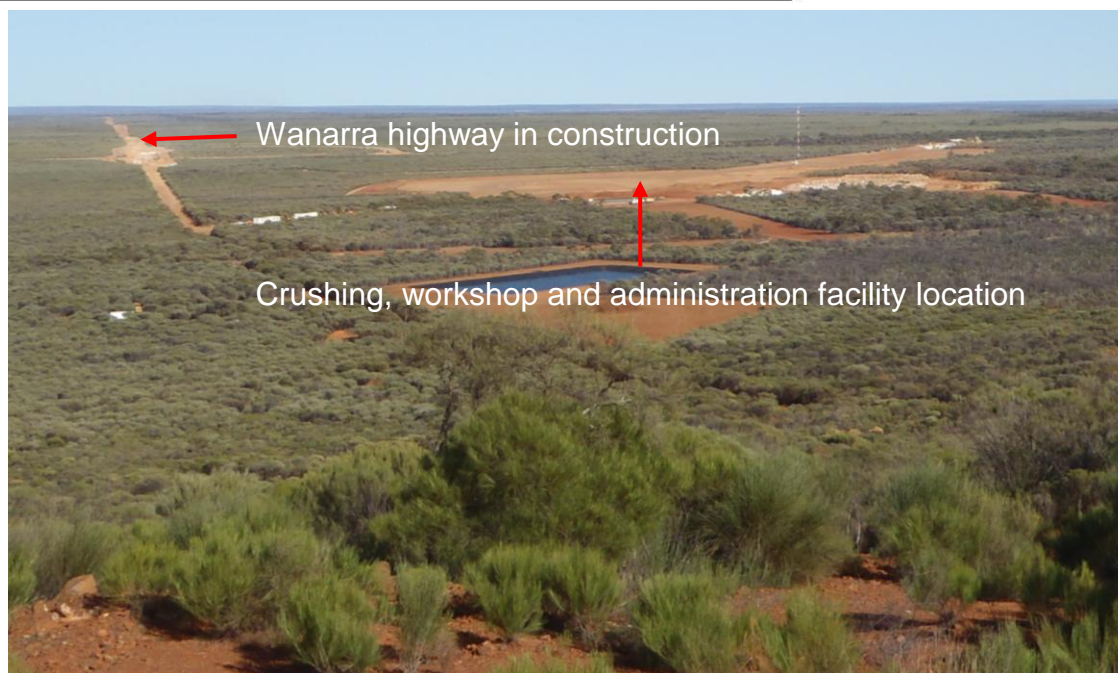


Figure 21 – Site overview looking west from the planned mine location

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

Mount Gibson Iron Limited
ABN 87 008 670 817
Level 1, 7 Havelock Street
West Perth WA 6005
PO Box 55, West Perth WA 6872

Telephone +61 8 9426 7500
Facsimile +61 8 9485 2305
Email admin@mtgibsoniron.com.au
ASX Code MGX

Contacts
Luke Tonkin, Managing Director
Alan Rule, Chief Financial Officer