# Resources and Reserves Statement

# Mount Gibson Iron Limited

# 30 June 2006

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Exploration and development work during the year to 30 June 2006 has increased MGI's 100% owned Mining Reserve 75%, up from 18.6 Mt to 32.5 Mt. This increase is primarily due to:

- Establishment of a Probable Reserve for the Extension Hill Hematite deposit at Mt Gibson;
- Development of a sustainable Life-of-Mine Plan for Tallering Peak incorporating stockpiling strategies, enabling planned blending of subgrade material;
- Successful drilling at Tallering Peak allowing commitment to a cutback on the existing T5 pit;
- Increased product prices.

Mineral Resources (also 100% owned) have increased 27%, up from 33.6 Mt to 42.7 Mt, due to;

- Successful drilling extending the Extension Hill Hematite deposit at Mt Gibson;
- Successful drilling extending the T5 deposit at Tallering Peak;
- Reporting of Resources to a lower Fe cut-off to more accurately reflect mine planning requirements.

Infill, extensional and exploration drilling is planned to continue throughout the coming year at both Tallering Peak and Mt Gibson. Systematic updates of resource models and mining schedules are planned during the year.

Resources are reported at 57% Fe and 50% Fe lower cut-offs, with total Resources now including 50%-57% Fe material (subgrade). Some, but not necessarily all, of this subgrade converts to mining Reserves.

No lower cut-off grades are quoted for mining Reserves, as cut-offs vary on a monthly basis throughout the mine life. The Life-of-Mine schedule targets consistent lump and fines product grades to meet customer specifications. Mining Reserves are the sum of scheduled production, and incorporate mining dilution, stockpiling, blending and transport strategies.

Re-classification of a significant amount of Resource, from Measured to Indicated (and therefore from Proven to Probable Reserves), is being reported. This does not reflect a loss of confidence in the global resource, but rather a more accurate evaluation of operational abilities to predict local variations. Production experience has prompted systematic infill drilling to enable robust monthly scheduling of material out to a minimum of 12 months ahead of production.

A summary of MGI's Mineral Resources is tabled below:

| MGI Corporate Mineral Resources | | M tonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|---|
| Measured | >57% Fe | 8.37 | 63.6 | 4.35 | 2.19 | 0.02 | 0.07 | 0.58 | 1.42 |
| | 50-57% Fe | 0.80 | 54.6 | 11.5 | 3.78 | 0.04 | 0.47 | 1.77 | 3.16 |
| | **Total >50% Fe** | **9.17** | **62.8** | **4.98** | **2.33** | **0.03** | **0.11** | **0.68** | **1.57** |
| Indicated | >57% Fe | 21.7 | 62.2 | 4.41 | 1.78 | 0.05 | - | 0.60 | 3.79 |
| | 50-57% Fe | 3.68 | 55.3 | 9.73 | 3.16 | 0.07 | - | 0.97 | 6.21 |
| | **Total >50% Fe** | **25.4** | **61.2** | **5.19** | **1.98** | **0.05** | - | **0.65** | **4.14** |
| Inferred | >57% Fe | 5.51 | 61.5 | 5.52 | 1.59 | 0.05 | - | - | 4.12 |
| | 50-57% Fe | 2.66 | 54.7 | 11.1 | 2.76 | 0.08 | - | 0.58 | 6.28 |
| | **Total >50% Fe** | **8.17** | **59.3** | **7.33** | **1.97** | **0.06** | - | - | **4.82** |
| Sub-Totals | >57% Fe | 35.6 | 62.4 | 4.57 | 1.84 | 0.04 | - | - | 3.28 |
| | 50-57% Fe | 7.14 | 55.0 | 10.4 | 3.08 | 0.07 | - | 0.91 | 5.89 |
| MGI Corporate Grand Total | | 42.7 | 61.2 | 5.55 | 2.05 | 0.05 | - | - | 3.72 |

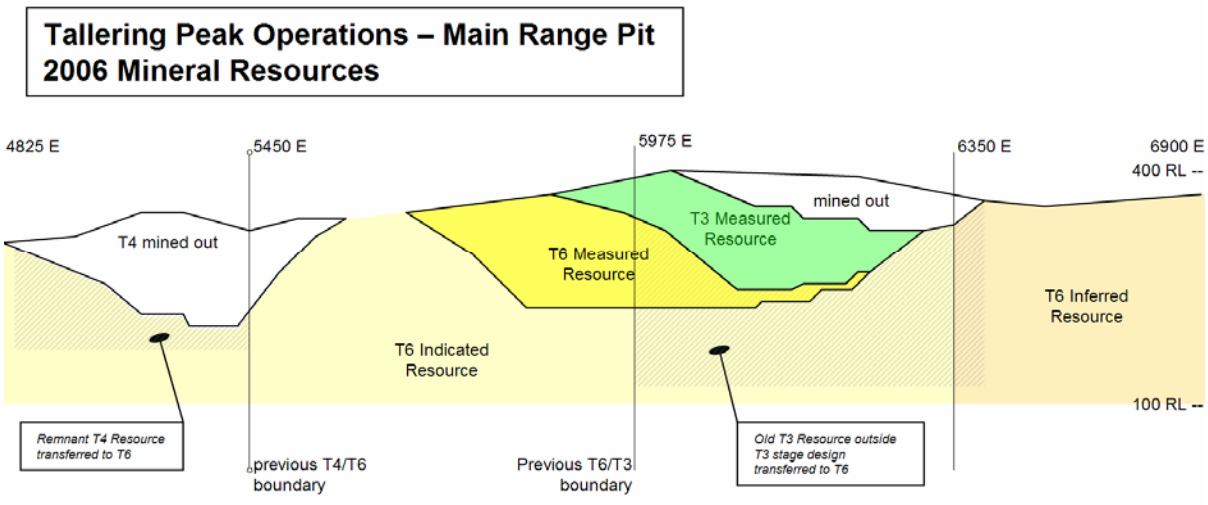
A summary of MGI's Mining Reserves is tabled below:

| MGI Corporate Mining Reserves | M tonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|
| **Total Proven** | **9.11** | **61.7** | **4.87** | **2.34** | **0.02** | **0.08** | **0.64** | **1.57** |
| **Total Probable** | **23.4** | **61.3** | **4.51** | **1.80** | **0.05** | **-** | **-** | **4.02** |
| MGI Corporate Grand Total | 32.5 | 61.4 | 4.61 | 1.95 | 0.04 | - | - | 3.34 |

Some changes to the Resource and Reserve internal breakdown by deposit/mining area have also been made to better reflect geological geometries and mining sequences. A more detailed breakdown by deposit and mining area follows.

## Resources

Breakdown of Mineral Resources on the Main Range at Tallering Peak is shown in the diagrammatic long section below (looking north). The T5 deposit is within a different geological unit 2.2km to the west.



| Tallering Peak Mineral Resource | | M Tonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|---|
| | ***T3*** | | | | | | | | |
| | >57% Fe | 2.84 | 64.5 | 3.53 | 2.24 | 0.01 | 0.01 | 0.21 | 1.20 |
| | 50-57% Fe | 0.18 | 53.9 | 11.3 | 4.14 | 0.02 | 0.05 | 0.95 | 2.65 |
| | *T3 Total* | *3.02* | *63.9* | *4.01* | *2.35* | *0.01* | *0.01* | *0.26* | *1.29* |
| | **T6** | | | | | | | | |
| | >57% Fe | 4.68 | 63.7 | 4.38 | 2.07 | 0.02 | 0.04 | 0.49 | 1.44 |
| | 50-57% Fe | 0.39 | 54.7 | 11.6 | 4.23 | 0.03 | 0.25 | 1.49 | 3.39 |
| **Measured** | *T6 Total* | *5.07* | *63.0* | *4.94* | *2.24* | *0.02* | *0.05* | *0.57* | *1.59* |
| | **T5** | | | | | | | | |
| | >57% Fe | 0.86 | 59.9 | 6.90 | 2.69 | 0.08 | 0.45 | 2.28 | 1.98 |
| | 50-57% Fe | 0.23 | 55.1 | 11.4 | 2.72 | 0.08 | 1.19 | 2.92 | 3.18 |
| | *T5 Total* | *1.08* | *58.9* | *7.85* | *2.70* | *0.08* | *0.61* | *2.41* | *2.23* |
| | **Sub-totals** | | | | | | | | |
| | >57% Fe | 8.37 | 63.6 | 4.35 | 2.19 | 0.02 | 0.07 | 0.58 | 1.42 |
| | 50-57% Fe | 0.80 | 54.6 | 11.5 | 3.78 | 0.04 | 0.47 | 1.77 | 3.16 |
| | ***Total Measured*** | ***9.17*** | ***62.8*** | ***4.98*** | ***2.33*** | ***0.03*** | ***0.11*** | ***0.68*** | ***1.57*** |
| | **T6** | *M Tonnes* | *Fe* | *$SiO_2$* | *$Al_2O_3$* | *P* | *S* | *MgO* | *LOI* |
| | >57% Fe | 10.5 | 63.7 | 4.04 | 1.93 | 0.03 | 0.05 | 0.88 | 1.58 |
| | 50-57% Fe | 0.77 | 55.4 | 8.42 | 4.90 | 0.04 | 0.60 | 2.50 | 3.39 |
| | *T6 Total* | *11.3* | *63.1* | *4.34* | *2.14* | *0.03* | *0.09* | *0.99* | *1.71* |
| | **T5** | | | | | | | | |
| **Indicated** | >57% Fe | 0.76 | 58.3 | 8.43 | 3.01 | 0.07 | 0.70 | 2.69 | 1.73 |
| | 50-57% Fe | 0.59 | 55.2 | 13.3 | 2.51 | 0.13 | 1.10 | 1.99 | 2.17 |
| | *T5 Total* | *1.35* | *57.0* | *10.6* | *2.79* | *0.10* | *0.88* | *2.38* | *1.92* |
| | **Sub-Totals** | | | | | | | | |
| | >57% Fe | 11.2 | 63.3 | 4.34 | 2.00 | 0.03 | 0.09 | 1.00 | 1.59 |
| | 50-57% Fe | 1.36 | 55.4 | 10.5 | 3.86 | 0.08 | 0.81 | 2.28 | 2.86 |
| | ***Total Indicated*** | ***12.6*** | ***62.4*** | ***5.01*** | ***2.21*** | ***0.04*** | ***0.17*** | ***1.14*** | ***1.73*** |
| | **T6** | *M Tonnes* | *Fe* | *$SiO_2$* | *$Al_2O_3$* | *P* | *S* | *MgO* | *LOI* |
| | >57% Fe | 0.75 | 61.6 | 5.57 | 3.12 | 0.04 | 0.04 | 0.41 | 1.84 |
| | 50-57% Fe | 0.05 | 53.7 | 8.87 | 5.85 | 0.07 | 0.06 | 1.08 | 3.28 |
| | *T6 Total* | *0.81* | *61.1* | *5.79* | *3.30* | *0.04* | *0.04* | *0.45* | *1.94* |
| | **T5** | | | | | | | | |
| **Inferred** | >57% Fe | 0.08 | 58.4 | 7.70 | 2.99 | 0.11 | 1.17 | 3.09 | 1.59 |
| | 50-57% Fe | 0.59 | 53.6 | 15.9 | 2.22 | 0.11 | 1.21 | 2.20 | 2.04 |
| | *T5 Total* | *0.67* | *54.2* | *15.0* | *2.31* | *0.11* | *1.21* | *2.30* | *1.98* |
| | **Sub-Totals** | | | | | | | | |
| | >57% Fe | 0.83 | 61.3 | 5.77 | 3.11 | 0.04 | 0.14 | 0.65 | 1.82 |
| | 50-57% Fe | 0.64 | 53.6 | 15.3 | 2.52 | 0.11 | 1.11 | 2.11 | 2.14 |
| | ***Total Inferred*** | ***1.47*** | ***58.0*** | ***9.94*** | ***2.85*** | ***0.07*** | ***0.57*** | ***1.29*** | ***1.96*** |
| | **Grade Range** | *M Tonnes* | *Fe* | *$SiO_2$* | *$Al_2O_3$* | *P* | *S* | *MgO* | *LOI* |
| | >57% Fe | 20.4 | 63.3 | 4.40 | 2.13 | 0.03 | 0.09 | 0.81 | 1.53 |
| | 50-57% Fe | 2.81 | 54.8 | 11.9 | 3.53 | 0.08 | 0.78 | 2.09 | 2.78 |
| **Sub-Totals** | **Mining Area** | | | | | | | | |
| | T3 | 3.02 | 63.9 | 4.01 | 2.35 | 0.01 | 0.01 | 0.26 | 1.29 |
| | T6 | 17.1 | 63.0 | 4.59 | 2.22 | 0.03 | 0.07 | 0.84 | 1.68 |
| | T5 | 3.10 | 57.0 | 10.6 | 2.66 | 0.09 | 0.85 | 2.37 | 2.04 |
| Tallering Peak Total Resource | | 23.2 | 62.3 | 5.31 | 2.30 | 0.04 | 0.17 | 0.97 | 1.68 |

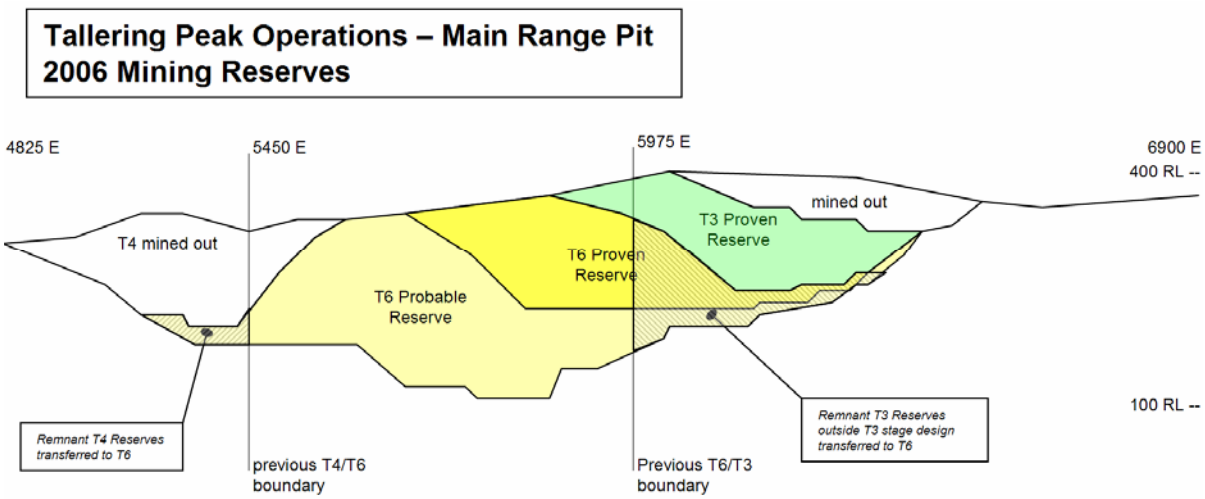
| Mt Gibson Mineral Resource | | M Tonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|---|
| **Indicated** | **Extension Hill** | | | | | | | | |
| | >57% Fe | 10.5 | 61.1 | 4.50 | 1.53 | 0.07 | - | 0.17 | 6.15 |
| | 50-57% Fe | 2.32 | 55.2 | 9.26 | 2.75 | 0.06 | - | 0.20 | 8.18 |
| | **Total Indicated** | **12.8** | **60.0** | **5.36** | **1.75** | **0.06** | **-** | **0.17** | **6.52** |
| | **Extension Hill** | *M Tonnes* | *Fe* | *$SiO_2$* | *$Al_2O_3$* | *P* | *S* | *MgO* | *LOI* |
| **Inferred** | >57% Fe | 2.68 | 59.8 | 6.28 | 1.78 | 0.05 | - | 0.19 | 5.66 |
| | 50-57% Fe | 2.01 | 55.1 | 9.73 | 2.84 | 0.07 | - | 0.09 | 7.60 |
| | Subtotal | 4.69 | 57.8 | 7.76 | 2.23 | 0.06 | - | 0.15 | 6.49 |
| | **Iron Hill** | | | | | | | | |
| | >60% Fe | 2.00 | 63.8 | 4.40 | 0.70 | 0.05 | - | - | 3.01 |
| | **Sub-Totals** | | | | | | | | |
| | >57% Fe | 4.68 | 61.5 | 5.48 | 1.32 | 0.05 | - | - | 4.53 |
| | 50-57% Fe | 2.01 | 55.1 | 9.73 | 2.84 | 0.07 | - | 0.09 | 7.60 |
| | **Total Inferred** | **6.69** | **59.6** | **6.76** | **1.77** | **0.06** | **-** | **-** | **5.45** |
| **Sub-Totals** | **Grade Range** | *M Tonnes* | *Fe* | *$SiO_2$* | *$Al_2O_3$* | *P* | *S* | *MgO* | *LOI* |
| | >57% Fe | 15.2 | 61.2 | 4.80 | 1.46 | 0.06 | - | - | 5.65 |
| | 50-57% Fe | 4.33 | 55.1 | 9.48 | 2.79 | 0.06 | - | 0.15 | 7.91 |
| | **Mining Area** | | | | | | | | |
| | Extension Hill | 17.5 | 59.4 | 6.00 | 1.88 | 0.06 | - | - | 6.51 |
| | Iron Hill (>60% Fe) | 2.00 | 63.8 | 4.40 | 0.70 | 0.05 | - | - | 3.01 |
| Mt Gibson Total Resource | | 19.5 | 59.9 | 5.84 | 1.76 | 0.06 | - | - | 6.15 |

## Reserves

| Tallering Peak Mining Reserve | M tonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|
| Proven - Main Range - T3 | 2.63 | 62.1 | 3.88 | 2.33 | 0.01 | 0.01 | 0.25 | 1.27 |
| Proven - Main Range - T6 | 5.61 | 62.2 | 4.91 | 2.27 | 0.02 | 0.05 | 0.57 | 1.60 |
| Proven T5 | 0.87 | 56.7 | 7.59 | 2.79 | 0.07 | 0.48 | 2.26 | 2.23 |
| **Proven sub-total** | **9.11** | **61.7** | **4.87** | **2.34** | **0.02** | **0.08** | **0.64** | **1.57** |
| Probable - Main Range - T6 | 10.9 | 62.1 | 4.08 | 1.96 | 0.04 | 0.07 | 0.89 | 1.58 |
| Probable T5 | 0.38 | 56.0 | 8.13 | 3.41 | 0.02 | 0.67 | 2.56 | 1.85 |
| **Probable sub-total** | **11.3** | **61.9** | **4.21** | **2.01** | **0.04** | **0.09** | **0.95** | **1.59** |
| By Mining Area | | | | | | | | |
| T3 sub-total | 2.63 | 62.1 | 3.88 | 2.33 | 0.01 | 0.01 | 0.25 | 1.27 |
| T6 sub-total | 16.5 | 62.2 | 4.36 | 2.06 | 0.03 | 0.07 | 0.78 | 1.59 |
| T5 sub-total | 1.24 | 56.5 | 7.76 | 2.98 | 0.05 | 0.54 | 2.35 | 2.12 |
| Tallering Peak Total Reserves | 20.4 | 61.8 | 4.51 | 2.15 | 0.03 | 0.09 | 0.81 | 1.58 |

| Mt Gibson Mining Reserve | | Fe | $SiO_2$ | $Al_2O_3$ | P | S | MgO | LOI |
|---|---|---|---|---|---|---|---|---|
| Probable - Extension Hill | 12.1 | 60.7 | 4.79 | 1.61 | 0.06 | - | - | 6.30 |

Breakdown of Mining Reserves in the Main Range Pit at Tallering Peak is shown in the diagrammatic long section below (looking north). The T5 deposit is within a different geological unit 2.2km to the west.




**Competent Person**

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 and holds a Bachelor of Applied Science in Geology.

Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience which is relevant to the styles of mineralisation and type of deposit under consideration and to the activity which 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.

Rolf Forster
03 August 2006