



## Mount Gibson Iron Limited

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## QUARTERLY REPORT FOR THE PERIOD ENDING

**31 December 2005**

### TALLERING PEAK HEMATITE MINE

During the quarter the Company announced that detailed mine schedules to exploit the current ore reserve had recently been completed which indicate that development rates at Talling Peak will need to be increased to sustain 3 Mtpa of ore production through to the end of mine life.

An increased rate of development stripping commenced in January 2006 following the mobilisation of additional hired mining equipment which will give the operation the capacity to load and haul 26 Mtpa of ore and waste annually over the next two years. Increased stripping in the first half of 2006 will impact cash flow with sustainable ore production of 3 Mtpa being achieved in the second half of 2006 rather than the first half due to:

- Delay in delivery of 34 rail wagons from December 2005 to late April 2006;
- Installation and commissioning of a crushing and screening plant with capacity of 3 Mtpa scheduled for late April 2006; and
- Increased development stripping from January 2006 restricting access to ore in the first half of 2006.

It is anticipated that hematite ore sales for the year ending 30 June 2006 will be approximately 2.1 million tonnes.

PRODUCTION SUMMARY	UNIT	SEPT QTR	DEC QTR	YTD
		2005 000's	2005 000's	2005 000's
<b>Mining</b>				
- Waste mined	bcm	932	1,243	2,175
- Ore mined	wmt	471	248	719
<b>Crushing</b>				
- Lump	wmt	371	347	718
- Fines	wmt	190	68	258
		<b>561</b>	<b>415</b>	<b>976</b>
<b>Transported to Mullewa Railhead</b>				
- Lump	wmt	335	194	529
- Fines	wmt	173	106	279
		<b>508</b>	<b>300</b>	<b>808</b>
<b>Transported to Geraldton Port</b>				
- Lump	wmt	320	236	556
- Fines	wmt	186	113	299
		<b>506</b>	<b>349</b>	<b>855</b>
<b>Shipping</b>				
- Lump	wmt	322	300	622
- Fines	wmt	178	128	306
		<b>500</b>	<b>428</b>	<b>928</b>
<b>Shipping</b>				
- Lump	dmt	317	296	613
- Fines	dmt	174	125	299
		<b>491</b>	<b>421</b>	<b>912</b>

## EXTENSION HILL MAGNETITE PROJECT

### ASIA IRON HOLDINGS LIMITED

Mount Gibson Iron Limited currently owns 67.88% of the issued capital in Asia Iron Holdings Limited.

### FEASIBILITY STUDY

The feasibility study for the Extension Hill Magnetite Project is scheduled for completion at the end of January 2006. The study will not be to a bankable level and further capital cost optimisation will continue.

The Shougang Group, which is Mount Gibson's proposed partner in the development of the Extension Hill mine, will have until mid March 2006 to undertake their review of the feasibility study and exercise their option to participate in the project.

The delay to the feasibility can be attributed to limited access to scarce technical and professional resources and an endeavour to contain cost increases on capital works due to the current resources boom in Western Australia.

Current operating cost estimates from the feasibility study are in line with earlier estimates.

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**EXPLORATION**

Exploration expenditure of \$4.6 million was incurred during the quarter on further evaluation and exploration of the Mount Gibson magnetite and hematite deposits. The majority of this expenditure (\$4.0 million) was incurred on conducting the feasibility study for Asia Iron at its cost.

Yours sincerely,  
MOUNT GIBSON IRON LIMITED



**Angela Dent**  
**Company Secretary**