

25 November 2010

## **ASX ANNOUNCEMENT**

### **McPHEE CREEK DEPOSIT SCOPING STUDY OUTCOMES**

**Findings from independent Scoping Study on development options for Giralia's 100% owned McPhee Creek iron ore deposit delivered by consultants ProMet Engineers;**

- **Base Case of start-up 2Mtpa owner-operated mining and public road haul to Port Hedland**
  - **NPV(8%) of A\$345 million, IRR of 47.4% (ungeared)**
- **Superior returns from models utilising road and rail combinations, including via the declared Goldsworthy line, which is approximately 100km north of McPhee Creek.**
- **10 Mtpa alternative scenario delivers NPV(8%) of \$1.6 billion**
- **Implementation schedule suggests targeting production by September 2012.**
- **Further JORC resource update due later this month.**

The Directors of Giralia Resources NL ("Giralia") are pleased to report the findings of an independent Scoping Study on development options for the Company's 100% owned McPhee Creek iron ore deposit, located 220 kilometres south-east of Port Hedland in the Pilbara region of Western Australia.

The McPhee Creek main range deposit has a current JORC Inferred Mineral Resource reported on 8 September 2010 of **210 million tonnes @ 56.2% Fe**, including **150.6 million tonnes @ 57.2% Fe, 2.1% Al<sub>2</sub>O<sub>3</sub> (63.1% CaFe)** at a 55%Fe cut-off.

Giralia commissioned ProMet Engineers Pty Ltd ("ProMet") to prepare a Scoping Study for its McPhee Creek main range project, targeting a Base Case of the production of direct shipping iron ore ("DSO") at 2 million tonnes per year by open pit mining. The Scoping Study was initiated in early 2010, soon after the definition of the maiden JORC resource of 52.1 million tonnes in December 2009. The start-up mining rate of 2 million tonnes per annum was selected as the Base Case based on public road haulage, with the current 210 million tonne JORC resource clearly able to support significantly higher mining rates.

The Base Case of 2 mtpa fully owned and operated mining, crushing, screening and public road haulage yields a NPV (8%) of **A\$345 million** and an **IRR of 47.4%** (ungeared). Operating costs (OPEX) excluding royalties are estimated at **A\$51.88 per tonne FOB**, with capital costs (CAPEX) including the cost of the trucking fleet estimated at **A\$129 million**. CAPEX is reduced to **A\$75.9 million** if contract road haulage is modeled. Financial models used an average iron ore price received of US\$74.63, based on the mean of 5 research analyst's forecasts.

A number of variations on the Base Case mining, processing and transport options were considered, with superior financial model results returned from alternatives incorporating private haul roads linking to 3<sup>rd</sup> party rail, including the recently declared BHP Billiton Iron Ore Goldsworthy line, located approximately 100 kilometres to the north.

An alternative of increased production rate of 10mtpa mining and transport by a new 160 kilometre rail spur to 3<sup>rd</sup> party rail was also scoped. This scenario returned the best financial model results, with an **NPV(8%) of \$1.6 billion**.

ProMet consider that the project has attractive returns and is viable under a number of different development scenarios. The implementation schedule for the Project indicates that it may be possible to achieve a first shipment of ore by September 2012. The Company will proceed with further drilling, testwork and environmental studies as part of a Pre-Feasibility Study to confirm these results, and allow selection of the optimum development model. An updated resource estimate, incorporating results from recent drilling should be completed by the end of November.

**R M Joyce**  
**DIRECTOR**

**25 November 2010**

*The information in the report that relates to the Scoping Study has been approved for release by ProMet Engineers.*

*The information in the report that relates to in-situ Mineral Resources is based on information compiled by Mr Grant Louw of CSA Global. Mr Grant Louw takes overall responsibility for the reported Mineral resource. He is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). Mr Grant Louw consents to the inclusion of such information in this Report in the form and context in which it appears.*

*The information in this report that relates to Exploration Results is based on information compiled by R M Joyce, who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of the Company. Mr Joyce has sufficient experience which is relevant to the style 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Joyce consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

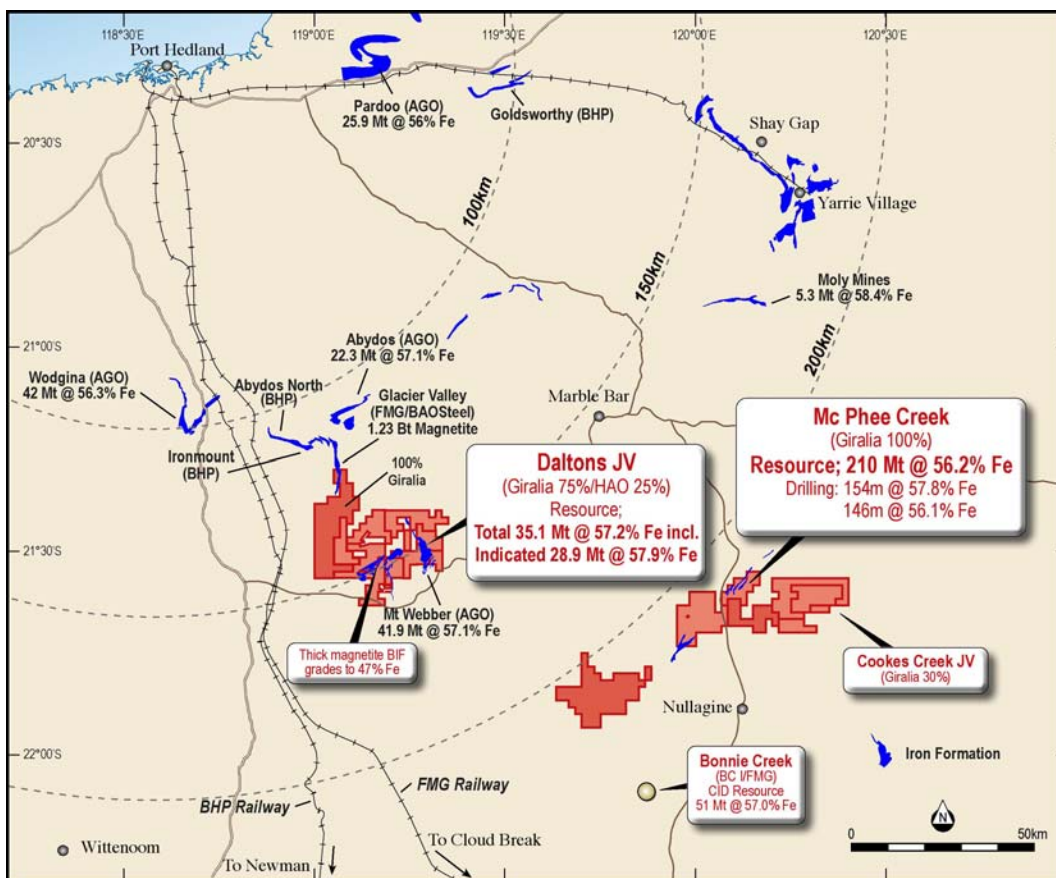


Fig 1: Location plan McPhee Creek and Daltons-Mt Webber tenements

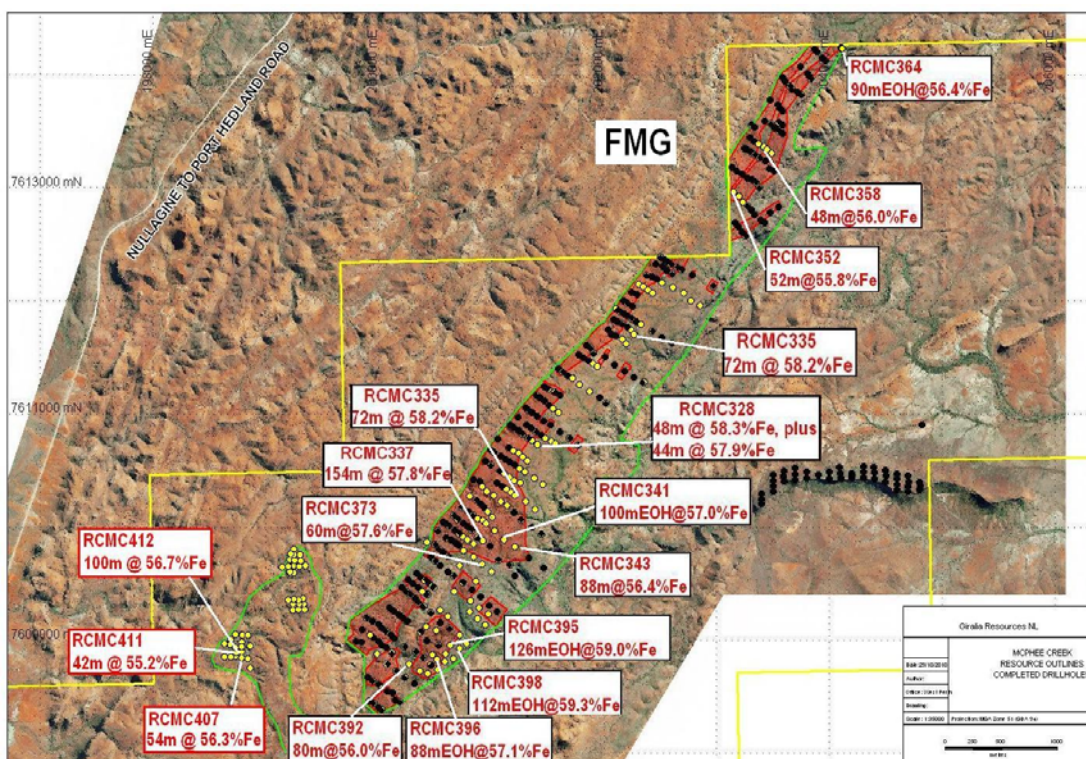


Fig 2: McPhee Creek iron ore deposit, resource outline as red polygon. Recent drilling results not included in current JORC resource are shown (yellow dots).



## About Giralia Resources NL

Giralia Resources NL ("ASX: GIR") is a well funded (~\$60 million cash) mineral exploration company based in Perth, Western Australia. Giralia's iron ore projects are the Company's exploration and development focus:

**McPhee Creek (100%) – Hematite** (Pilbara) – New hematite discovery 220km south east of Port Hedland. Drill intersections include 90 metres @ 58.6 % Fe, 46 metres @ 60.2% Fe. Inferred Mineral Resource **210 million tonnes @ 56.2% Fe (62.1%CaFe)**. Additional small CID mesa nearby 5.17 million tonnes @ 53.6% Fe (60.4%CaFe).

**Daltons (75%) - Hematite** (Pilbara) – Newly discovered zone of hematite, only 150 km south of Port Hedland, and 40km from FMG, BHP rail lines. Drilling 70m @ 58.4% Fe from surface, including 54m @ 60.9% Fe, 1.5%Al<sub>2</sub>O<sub>3</sub>. Initial Inferred Mineral Resource **35.1 million tonnes @ 57.2% Fe (62.2%CaFe)**. Scoping Study (Base Case of 2Mtpa mining and road haulage to Port Hedland, targeting production by 2<sup>nd</sup> quarter 2011) found an **NPV(10%) of A\$170 million, IRR of 53.9%**.

**Western Creek (100%) – Hematite** (Pilbara)– Marra Mamba iron ore as direct extensions to BHP Silver Knight deposit, only 15 km from rail at Newman. Inferred Mineral Resource **52.4 million tonnes @ 56.7% Fe**. Deposit is near surface, with several zones open ended.

**Anthiby Well (100%\*) -CID** (Pilbara) – Channel iron deposit (CID) mesas, drill intersections include 32 metres @ 55.1%Fe including 24 metres @ 56.0%, 22 metres @ 56.3%Fe, and 18 metres @ 56.2%Fe. Initial Inferred Mineral Resource **63.5 million tonnes @ 50.5% Fe**, including **37.6 million tonnes @ 53.6% Fe (59.1%CaFe)**. \* subject to production royalty

**Beebyn (100%) – Hematite** (MidWest) – Adjoins Sinosteel Weld Range deposits. Initial Inferred Mineral Resource **7.2 million tonnes @ 57.2% Fe**. Major upside at nearby Beebynganna Hills project, where new zones of both hematite and magnetite have been discovered.

**Earaheedy (100%) – Hematite** (200 km S of Newman) –23 known hills with rock sample grades over 57% Fe, within 130 kilometres of iron formations on Giralia tenements, with shallow dips indicating large tonnage potential. Drilling; 20 metres @ 55.7% Fe, 8 metres @ 58.7% Fe, and 12 metres @ 57.3%Fe .

**Yerecoin – Magnetite** (150 km from Perth) – 1 km to railway. Initial Inferred Mineral Resource **186.8 million tonnes @ 30.9% Fe (DTR 70.1% Fe, 2.1% SiO<sub>2</sub>, Wt Rec 32.8%)**. Coarse magnetite; excellent DTR testwork. Scoping Study on 2.5Mtpa mining and existing rail haulage to Kwinana, found a best scenario **NPV(10%) of A\$321 million, IRR of 33.8%**.

The Company also has significant other commodity interests, including the Lake Frome Joint Venture around the operating Beverley uranium mine in South Australia, and the 100% owned 170,000 ounce Snake Well gold project in Western Australia.

In addition to its strong cash balance, Giralia also holds significant stakes in several listed companies (shown below), which are held largely as a result of the spin-off of independently managed and funded companies over the last 3 years. Giralia shareholders have benefited through priority IPO entitlements and in specie distributions, and ongoing exposure to upside from exploration success.

Company	ASX Code	Key Commodity	Giralia Stake
U3O8 Limited	UTO	uranium	~15%
Zinc Co Australia Limited	ZNC	zinc, iron, manganese	~10.8%
Carpentaria Exploration Limited	CAP	iron, coal, gold	~9.1%
Gascoyne Resources Limited	GCY	gold	~5.9%
Hazelwood Resources Ltd	HAZ	nickel, tungsten	~1.7%
Entrée Gold	ETG-(TSX)	copper	~1%