

3 December 2010

## ASX ANNOUNCEMENT

### MAJOR INCREASE TO JORC REPORTED MINERAL RESOURCE ESTIMATE FOR MCPHEE CREEK DEPOSIT

- Another major increase to JORC reported Mineral Resource estimate for Giralia's 100% owned McPhee Creek main range deposit.
  - New Indicated and Inferred Mineral Resource 260 million tonnes @ 56.2% Fe (62.1% CaFe).
- The new estimate incorporates drilling results for the main range reported up to 3 November 2010 (up to hole RCMC403).
- Further increases anticipated, including addition of early holes from McPhee West.
- Positive Scoping Study findings released 25 November indicate a viable project with numerous development options.

The Directors of Giralia Resources NL ("Giralia") are pleased to report another major increase to the JORC reported Mineral Resource at the Company's 100% owned McPhee Creek main range iron ore discovery, located within potential road haulage distance 220 km south-east of Port Hedland in the Pilbara region of Western Australia.

The new Mineral Resource estimate completed by independent geological consultants CSA Global Pty Ltd (CSA) covers results reported to ASX up to 3 November 2010 (up to and including drillhole RCMC403) at the main range deposit at McPhee Creek. The new Indicated and Inferred Mineral Resource at McPhee Creek main range is **260 million tonnes @ 56.2 % Fe**. This represents a 24% increase over the previous estimate of 210 million tonnes announced 9 September 2010, with around 25% of the total resource now in the Indicated category.

Giralia Resources - Mineral Resource Estimate - McPhee Creek Main Range Deposit as at 1 Dec. 2010								
Deposit Cut-off Grade	Category	Tonnes (Mt)	Fe %	P %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	CaFe %
Main Range Total > 50 % Fe	Indicated	65.3	56.3	0.11	6.2	2.6	9.7	62.3
Main Range Total > 50 % Fe	Inferred	194.7	56.2	0.13	6.9	2.2	9.4	62.1
Main Range Total > 50 % Fe	Combined	260	56.2	0.12	6.7	2.3	9.5	62.1

Giralia Resources - Mineral Resource Estimate - McPhee Creek CID Deposit as at 21 July 2008								
Crescent Moon CID > 50%Fe	Category	Tonnes (Mt)	Fe %	P %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	CaFe %
Crescent Moon CID > 50%Fe	Inferred	5.17	53.6	0.03	7.2	6.1	11.3	60.4
Total McPhee Creek > 50%Fe	Combined	265.2	56.2	0.12	6.7	2.4	9.5	62.1

\* **Note:** The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 50% Fe. The resource is quoted from blocks above the specified Fe % cut-off grade. Calcined Iron grade (CaFe) is a measure of iron content upon removal of volatiles (i.e. LOI) and is calculated after estimation of Fe and LOI grades, using the following formula:  $CaFe = (Fe / (100 - LOI)) * 100$ . Differences may occur due to rounding.

Giralia's Chairman Graham Riley commented; *"The McPhee Creek deposit continues to grow, and further increases are anticipated to what is already the largest junior held DSO deposit in the northern Pilbara. Combined DSO resources at Giralia's McPhee Creek and nearby Daltons-MtWebber deposits are now over 300 million tonnes. The recent independent Scoping level mining study for McPhee Creek confirmed the viability of the project. This is a well located and substantial iron ore deposit with a number of development options which are being assessed in our Pre-Feasibility Study."*

## Background Information- McPhee Creek discovery

Giralia discovered hematite-goethite mineralisation along the 8 kilometre main range at McPhee Creek in September 2009. The deposit is located within potential trucking distance ~220 km south-east of Port Hedland, and ~50 km north of BC Iron Limited/ FMG's Nullagine Iron Ore JV deposits.

The McPhee Creek main range deposit has grown rapidly from the first resource estimate in December 2009 to the current JORC reported Indicated and Inferred Mineral Resource estimate of **260 million tonnes @ 56.2% Fe, 6.7% SiO<sub>2</sub>, 2.3% Al<sub>2</sub>O<sub>3</sub>, 0.12% P, 9.5% LOI, (62.1% CaFe)**.

Ongoing resource drilling has continued to generate positive results, with drillholes from the maiden drilling program testing the nearby McPhee West target returning some strong, low phosphorous intersections, including hole RCMC412 which returned **100 metres @ 56.7% Fe, 0.03% P**.

On 25 November the Company released the findings of a Scoping Study on development options. The Base Case of 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\$70.18, 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, regarded as more appropriate for the expanding resource, 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**.

## R M Joyce DIRECTOR

*The information in the report that relates to in-situ Mineral Resources at the McPhee Creek main range deposit is based on information compiled by Mr Grant Louw of CSA Global. Mr Grant Louw takes overall responsibility for the 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 in-situ Mineral Resources at the Crescent Moon CID deposit is based on information compiled by Malcolm Titley of CSA Global. Malcolm Titley takes overall responsibility for the Report. He is a Member of the Australasian Institute of Mining and Metallurgy 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). Malcolm Titley consents to the inclusion of such information in this Report in the form and context in which it appears.*

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

*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.*

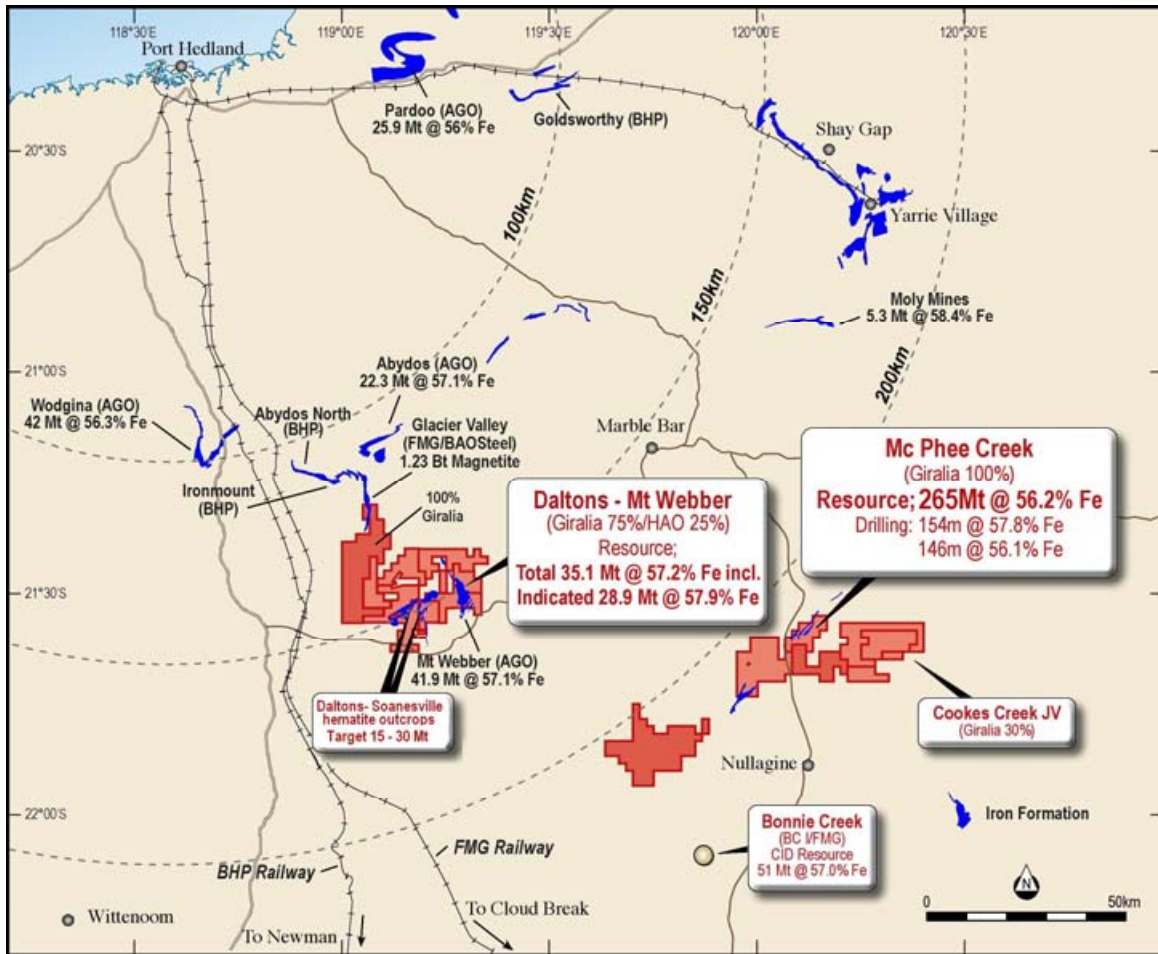


Fig.1: Location plan showing Giralia's McPhee Creek and Daltons-Mt Webber iron ore deposits

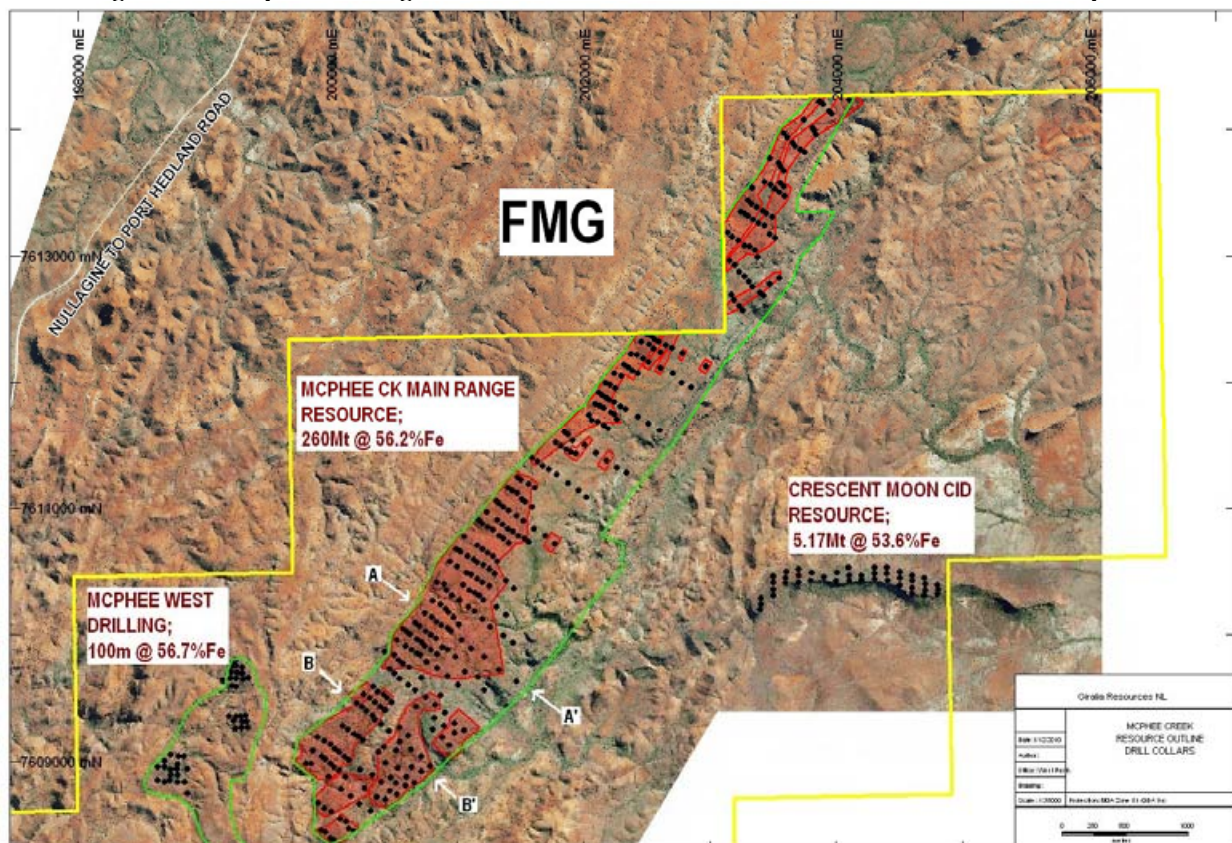


Fig.2: McPhee Creek deposit with December 2010 resource outline (red), showing completed drilling (black dots)



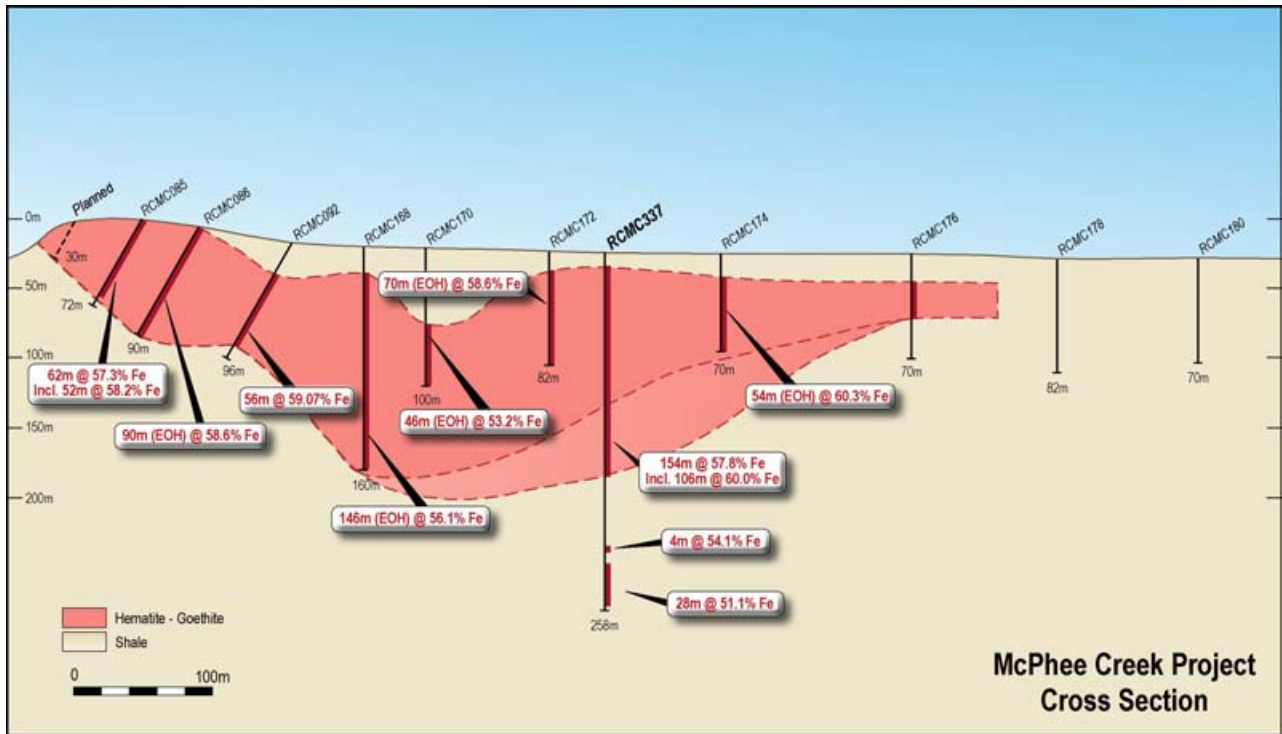


Fig 3: McPhee Ck main range cross section A-A'

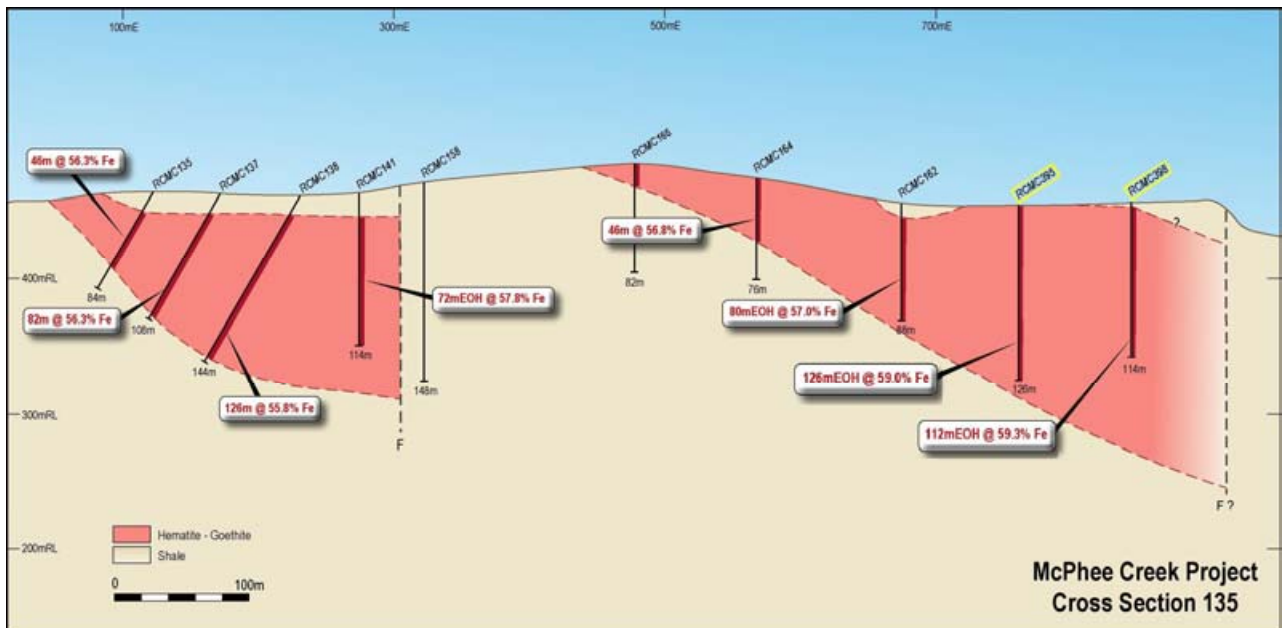


Fig 4; McPhee Creek main range cross section B-B'

## About Giralia Resources NL

Giralia Resources NL ("ASX: GIR") is a well funded (~\$58 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 **260 million tonnes @ 56.2% Fe (62.1%CaFe)**. Additional small CID mesa nearby 5.17 million tonnes @ 53.6% Fe (60.4%CaFe). Scoping Study (Base Case of 2Mtpa mining and road haulage to Port Hedland, target production by Sept. 2012) found **NPV(8%) of A\$345 million, IRR of 47.4%**.

**Daltons-Mt Webber (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, target production by 2<sup>nd</sup> quarter 2011) found **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%