Mount Gibson Iron

Mount Gibson Iron Limited
ABN 87 008 670 817

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13 February 2008

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The Manager
Company Announcements
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

SUBJECT: 31 DECEMBER 2007 HALF-YEAR FINANCIAL STATEMENTS

Mount Gibson Iron Limited ("**Mount Gibson**") (ASX Code MGX) is pleased to announce a net profit after tax of $32.1 million for the 6 months ended 31 December 2007.

The key financial results for each of the last 3 six month periods is summarised as follows:

		6 months ended 31 Dec 2006	**6 months ended 30 June 2007**	**6 months ended 31 Dec 2007**	**% increase over previous 6 months**
Tonnes mined	*wmt*	1.82	1.67	**3.35**	*100%*
Tonnes sold	*wmt*	1.12	1.35	**2.59**	*92%*
Revenue	*$ mill*	69.0	96.0	**176.2**	*83%*
Operating profit from continuing operations before tax	*$ mill*	13.1	29.2	**46.1**	*58%*
Tax expense	*$ mill*	(4.4)	(8.8)	**(14.0)**	*59%*
Operating profit from continuing operations after tax	*$ mill*	8.7	20.4	**32.1**	*58%*
Profit after tax from discontinued operations	*$ mill*	18.7	-	**-**	-
Net profit after tax	*$ mill*	**27.4**	**20.4**	**32.1**	***58%***
Total assets	*$ mill*	589.3	692.5	**721.9**	*5%*
Shareholders funds	*$ mill*	432.5	454.3	**492.5**	*8%*
EPS – continuing operations	*cents/share*	1.77	2.59	**4.06**	*56%*
NAV per share	*$/share*	0.57	0.57	**0.62**	*8%*

Mount Gibson's Managing Director, Luke Tonkin said "Mount Gibson has performed particularly well during the last 6 months as operations lock in production improvements and a number of key project milestones are achieved. Our operations have managed to establish new benchmarks of performance which has allowed the company to deliver strong production growth and enhance financial results".

Mr Tonkin also said "Mount Gibson has created a strong production and earnings base at Tallering Peak whilst establishing new production from Koolan Island which will fully expose the company to the current and forecast strength in iron ore prices. Mount Gibson has progressed development of the Extension Hill Hematite Project within a very difficult regulatory and approvals environment and remains confident operations will commence in early 2009. Mount Gibson continues to deliver on its operational objectives, enhancing cash flow and earnings which enables future growth of the Company both organically and opportunistically.

Over the next 6 months Mount Gibson expects the strong performance of Tallering Peak to continue whilst an anticipated improvement in ship-loading rates at the Geraldton port will result in increasing ore sales as significant ore stockpiles are drawn. Mine production at Koolan Island is expected to remain stable whilst major project work focussed on re-establishing access to the Main ore-body will intensify. Project development activity and statutory approval submissions will be ongoing as Mount Gibson prepares Extension Hill Hematite for production in 2009."

The appendix 4D and half year financial statements are attached.

Yours sincerely,
MOUNT GIBSON IRON LIMITED

Angela Dent
Company Secretary

Enquiries: **Mr Luke Tonkin** Managing Director Telephone: 61 8 9426-7500

or **Mr Alan Rule** Chief Financial Officer Email: admin@mtgibsoniron.com.au

APPENDIX 4D

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31st December, 2007

Previous Corresponding Period: 31st December, 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		A$'000's
Revenue from ordinary activities	up 83% to	$176.2
Profit from ordinary activities after tax attributable to members	up 58% to	$32.1
Net profit for the period attributable to members	up 58% to	$32.1

DIVIDENDS

No dividends have been paid or declared during the year

NET TANGIBLE ASSET BACKING

Consolidated Entity		2007	2006
Net Tangible Assets	*$ mill*	492.5	432.5
Fully paid ordinary shares on issue at Balance Date		793,086,821	755,333,011
Net tangible asset backing per issued ordinary share as at balance date (cents)	*c/share*	62.1	57.2

DETAILS OF ENTITIES OVER WHICH CONTROL GAINED OR LOST DURING THE PERIOD

None.

STATUS OF AUDIT

This Half Year Report is based on accounts that have been reviewed.

COMMENTARY

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2007 together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2007

Financial Report

For the half-year ended 31 December 2007

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2007 for the consolidated entity incorporating Mount Gibson Iron Limited ("**Company**") and the entities that it controlled during the half-year ("**Consolidated Entity**").

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Neil Hamilton	*Chairman*
Luke Tonkin	*Managing Director*
Craig Readhead	*Non-Executive Director*
Ian Macliver	*Non-Executive Director*
Alan Jones	*Non-Executive Director*
Mark Horn	*Non-Executive Director*
Alan Rule	*Alternate Director to Luke Tonkin*

Angela Dent is the Company Secretary.

Mr Peter Bilbe resigned as a director on 21 November 2007.

CORPORATE INFORMATION

Corporate Structure

Mount Gibson Iron Limited is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated half-year financial report incorporating the entities that it controlled during the half-year.

Nature of Operations and Principal Activities

The principal activities of the entities within the Consolidated Entity are:

- mining of hematite deposits at Tallering Peak;
- mining of hematite deposits at Koolan Island;
- development of hematite mining operations at Extension Hill; and
- exploration of hematite deposits in Western Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Debt Facility

In June 2007 the Company mandated HSBC Australia Limited and National Australia Bank Limited as the joint lead Arranger and Underwriting Banks for a $200 million debt facility to fund the refinance of the existing project finance facility and the HSBC facility and provide additional debt funding for the Koolan Island and Extension Hill iron ore developments. The facility documentation was signed on 28 August 2007 with drawdown on 6 September 2007. See Note 5 for further details.

Koolan Island Hematite Project

Koolan production and operations ramped up to achieve 3 Mtpa annualised production during the period.

Extension Hill Direct Shipping Ore Project

During the period the Consolidated Entity completed and the Mount Gibson board approved the Detailed Feasibility Study into the feasibility of producing and selling 3 Mtpa of hematite ore from the Extension Hill Direct Shipping Ore project. Development and construction commenced in October 2007 with first shipments of ore scheduled for the first quarter of 2009.

DIVIDENDS

No dividends were paid during the period and no recommendation is made as to dividends.

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Period

Summarised operating results for the Consolidated Entity for the half-year ended 31 December 2007 were:

	CONSOLIDATED	
	31 December 2007 $'000	31 December 2006 $'000
Operating profit from Continuing Operations before tax	**46,123**	**13,096**
Taxation expense	(13,988)	(4,420)
Operating profit from Continuing Operations after tax	**32,135**	**8,676**
Profit from discontinued operations after income tax	-	18,721
Net profit after tax attributable to Members of the Company	**32,135**	**27,397**

Tallering Peak Hematite Operations

The Tallering Peak mine continued to improve operational performance during the financial year with waste and ore material movements increasing. Ore tonnes sold increased 28% compared with the corresponding period last year whilst ore shipments were restricted resulting from ongoing congestion and poor loading rates at the Geraldton Port. Ore stockpiles were further expanded in preparation for the second half of the financial year when the Geraldton Port Authority ("**GPA**") is scheduled to commence dedicated iron ore ship loading from Berth 5. Commissioning of the new Berth 5 ship loading facility is in progress and loading of the first ship occurred in late January 2008. Ore stockpiles at 31 December 2007 totalled 1.2 Mt.

The commissioning of the Berth 5 ship-loader is critical to building iron ore export capacity from the Geraldton Port. Ship loading rates have generally declined from the Geraldton Port during the last 6 months which has been disappointing. Mount Gibson keenly anticipates significant improvement from the Geraldton Port Authority with the commissioning of the new Berth 5 ship-loader. Exports through the Geraldton Port are forecast to increase with the successful commissioning of the Berth 5 ship-loader, particularly in the June quarter as Mount Gibson reduces current ore stockpiles.

Shipping rates were consistent with Mount Gibson's predicted first half annualised rate of 2.5Mtpa. Record quarterly crushing performance continued at Tallering Peak which exceeded scheduled 3Mtpa crushing rates.

Ore production continued the positive trend of the last twelve months during the December quarter with an increase of 14% when compared with the September quarter. The T6A cutback provided the majority of the high grade ore mined while significant quantities of medium grade blending ore was mined from the T2 area. Waste movement increased by 11% as the T2 cutback established larger work areas.

The T3C and T6A1 floors are now predominately ore with production in these areas dependent upon ore demand for the crushing circuit. The priority of the quarter was the development of T6A2 to provide continuity of ore supply following the completion of T3C and T6A1 and the development of a ramp to access the T6A3 cutback. The T2 cutback has also provided a significant work area as well as a source of medium grade blending ore.

At 30 June 2007, Tallering Peak had a Mineral Resource of 21.0 million tonnes of hematite ore at a grade of 61.6% Fe, including total Ore Reserves of 18.3 million tonnes of hematite ore with a grade of 61.5% Fe.

Production for each quarter and year to date is set out below:

PRODUCTION SUMMARY FOR 6 MONTHS	Unit	Sept Qtr 2007 '000	Dec Qtr 2007 '000	YTD 2007 '000
Mining				
- Waste Mined	*bcm*	2,470	2,744	**5,214**
- Ore Mined	*wmt*	825	943	**1,768**
Crushing				
- Lump	*wmt*	502	450	**952**
- Fines	*wmt*	280	323	**603**
Total	*wmt*	**782**	**773**	**1,555**
Transport to Mullewa Railhead				
- Lump	*wmt*	482	388	**870**
- Fines	*wmt*	177	309	**486**
Total	*wmt*	**659**	**697**	**1,356**
Transport to Geraldton Port				
- Lump	*wmt*	423	382	**805**
- Fines	*wmt*	74	280	**354**
Total	*wmt*	**497**	**662**	**1,159**
Shipping				
- Lump	*wmt*	515	340	**855**
- Fines	*wmt*	103	252	**355**
Total	*wmt*	**618**	**592**	**1,210**

Production rates and key financial statistics at Tallering Peak for the 6 months ended 31 December 2007 compared with the 6 months ended 30 June 2007 were:

- waste mining increased by 9% from 4,776,000 bcm's to 5,214,000 bcm's;
- ore tonnes mined increased by 53% from 1,159,000 tonnes to 1,768,000 tonnes;
- ore tonnes sold increased by 1% from 1,195,000 tonnes to 1,210,000 tonnes; and
- average realised selling prices per tonne of ore sold increased by 8% from A$64 per tonne to A$69 per tonne.

Significant expenditure on waste development at Tallering Peak during the half-year was as follows:

		6 Months ended 31 Dec 2007	6 Months ended 30 June 2007	6 Months ended 31 Dec 2006
Waste mined	*mill bcm*	5.2	4.8	4.8
Waste expenditure capitalised	*$ mill*	51.0	49.6	43.6
Waste expenditure amortised	*$ mill*	(37.1)	(21.1)	(32.5)

A significant challenge to mine operations is the supply of skilled operating and maintenance employees. A shortage of appropriately qualified labour and the increase in labour and consumable costs and skilled labour shortages within the industry continues to represent a risk to sustained operational performance. The Company continues to implement strategies designed to mitigate the adverse impact of these issues.

Koolan Island Hematite Project

Koolan Island which is located in the Buccaneer Archipelago of Yampi Sound in Western Australia was opened by BHP in 1965 and operated until 1993. BHP mined approximately 68 million tonnes of high grade hematite ore from five pits at Koolan – Main, Mullet, Eastern, Barramundi and Acacia.

In early 2000, Aztec Resources Limited ("**Aztec**") acquired Koolan Island and in May 2003 an exploration licence was granted over Koolan Island. During 2003, Aztec undertook a review of available BHP data, carried out site inspections and committed to an exploration/feasibility study programme in 2004. Exploration drilling commenced in February 2004 and the bankable feasibility study was completed in August 2005. Mount Gibson acquired Aztec in February 2007.

At 30 June 2007, Koolan Island had a Mineral Resource of 62.8 million tonnes of hematite ore at a grade of 63.2% Fe, including total Ore Reserves of 29.9 million tonnes of hematite ore with a grade of 64.8% Fe. The orebodies are tabular, high-grade hematite bodies which are estimated to produce a 30% Lump 70% Fines product with consistently high grades from the Main Ore body (>67% Fe). Initial production from established satellite pits has produced 50% Lump 50% Fines product, which if continued, enhances the financial performance of Koolan Island.

Recommencement of open pit mining and stockpiling of ore on the ROM pad occurred in the December quarter 2006. Construction of the shiploader, jetty facilities and crushing and screening plant were completed and commissioned in May 2007 with the first ore shipment taking place in June 2007. At the forecast production rate of 4 Mtpa (production ramps to this rate over the period to the December 2009 quarter), and based on existing ore reserves, production is expected to continue for at least 8 years to 2015 with potential to increase resources as a consequence of the planned exploration drilling to be undertaken over the next 2 to 3 years. Initial production from Koolan Island will be sourced from Eastern and Mullet pits whilst preparatory access works are completed at Main Pit prior to the cut back and eventual production from this high grade premium ore source.

During the half-year production focused on the Barramundi Limb of East Pit, the internal staged pit in Mullet, Mullet cut-back and Main Pit West. Mining of Main Pits southern wall also commenced with the top 16 metres of Crusher Hill and the top 6 metres of Blinker Hill being removed during the period.

Koolan Island has entered the wet season from December to February when shipments are scheduled to decline however shipments will accelerate strongly once the wet season has ended and ore stocks are reduced.

Production for each quarter and year to date is set out below:

PRODUCTION SUMMARY FOR 6 MONTHS	Unit	Sept Qtr 2007 '000	Dec Qtr 2007 '000	YTD 2007 '000
Mining				
- Waste mined	bcm	1,779	2,143	**3,922**
- Ore mined	wmt	695	885	**1,580**
Crushing				
- Lump	wmt	347	336	**683**
- Fines	wmt	339	403	**742**
Total		**686**	**739**	**1,425**
Shipping				
- Lump	wmt	406	274	**680**
- Fines	wmt	248	452	**700**
Total		**654**	**726**	**1,380**

Production rates and key financial statistics at Koolan Island for the 6 months ended 31 December 2007 compared with the 6 months ended 30 June 2007 were:

- waste mining increased by 124% from 1,748,000 bcm's to 3,922,000 bcm's;
- ore tonnes mined increased by 210% from 509,000 tonnes to 1,580,000 tonnes;
- ore tonnes sold increased by 819% from 150,000 tonnes to 1,380,000 tonnes; and
- average realised selling prices per tonne of ore sold increased by 8% from A$63 per tonne to A$68 per tonne.

Significant expenditure on waste development at Koolan Island during the half-year was as follows:

		6 Months ended 31 Dec 2007	6 Months ended 30 June 2007
Waste mined	*mill bcm*	3.9	1.7
Waste expenditure capitalised	*$ mill*	55.2	7.9
Waste expenditure amortised	*$ mill*	(28.7)	(1.9)

Extension Hill Direct Shipping Ore Project

During the period the Consolidated Entity completed and the Mount Gibson board approved the Detailed Feasibility Study ("**DFS**") into the feasibility of producing and selling 3 Mtpa of hematite ore from the Extension Hill Direct Shipping Ore ("**DSO**") project.

The DFS validated the broad strategies and parameters assumed for the June 2006 study and evaluated multiple operating options with related costs, timing and risks. The study demonstrated that the project will provide strong financial returns in a short time-frame, with minimal technical risks and relatively low capital requirements.

The DSO project will have very similar operational characteristics to Mount Gibson's Tallering Peak operation with the added advantage of a much lower strip ratio of less than 1:1 (waste tonnes : ore tonnes) compared with Tallering Peak's strip ratio of 6:1. Ore mined from Extension Hill will be crushed and screened on site, transported by sealed road 85km to Perenjori and loaded onto rail wagons for a 235km journey to the Geraldton Port. Ore will be stored at the Geraldton Port at Mount Gibson's ore storage facilities to be constructed at the new berth 5 iron ore ship loading facility and loaded from berth 5 for export.

WA Environment Minister Templeman issued Ministerial Statement 753 on 24th October 2007 thereby finalising State government environmental approval of the Mt Gibson Iron Ore Mine and Infrastructure Project. Commonwealth government approval for the Project was received on 18th December 2007.

Environmental Management Plans ("**EMP's**") for the Project required by Ministerial Statement 753 were submitted to the Department of Environment and Conservation ("**DEC**") on receipt of final State government approval and DEC's comments in relation to the Project EMP's have been received. DEC comments have been assessed and it is anticipated that the revised EMP's will be resubmitted for approval in February 2008. As formal approval of the EMP's is required prior to 'ground disturbing activities' timely access to the Project site remains a critical project milestone.

The Project Management Plan ("**PMP**") for construction and operation of the Extension Hill mine was completed and lodged with the Department of Consumer and Employment Protection ("**DoCEP**") for approval.

The Mining Proposal required by the Environmental Division of the Department of Industry & Resources is in the final stages of preparation and will be lodged shortly.

An application to transport processed hematite ore from the Extension Hill mine site to the company's facilities at Geraldton Port was lodged with the Environmental Protection Authority ("**EPA**") during the quarter. The application is proceeding through the Assessment on Referred Information ("**ARI**") process nominated by the EPA.

The detailed design being carried out by Maunsell Australia of the storage and handling facilities at Berth 5 is continuing. Tenders were called for the civil works for the ore storage shed at Geraldton during the quarter and the contract for these works is scheduled to be awarded in February 2008.

Contract negotiations and document preparation for the above rail services and rail track access agreements will be completed by end of February 2008.

Contracts have been awarded for:

- the supply, construction and operation of a 130 man accommodation village for the Project; and
- the supply and erection of the main office complex at the mine site.

An exploration drilling program to locate suitable sources of process and potable water for the mine was undertaken during the quarter. Preliminary measurements undertaken whilst drilling these exploration bores indicate they will yield sufficient quantities of process and potable water to meet the mine's requirements.

A program of work to recommence resource definition drilling at Extension Hill was submitted to the DoIR. Approval to commence Stage 1 of this program is expected in February 2008. The commencement of operations at Extension Hill remains on schedule for the first quarter of 2009 whilst an upgrade of rail unloading facilities necessary to ensure greater utilisation of the latent capacity at the Geraldton Port remains with the Geraldton Port Authority to construct.

At 30 June 2007, Extension Hill had a Mineral Resource of 19.5 million tonnes of hematite ore at a grade of 59.9% Fe, including total Ore Reserves of 12.8 million tonnes of hematite ore with a grade of 60.3% Fe.

SIGNIFICANT EVENTS AFTER BALANCE DATE

9,200,000 options were granted but not issued under the Employee Share Scheme. The options were granted on the basis that the employees must complete employment service to 31 December 2009 before the options vest, at which time they will be issued to the respective employees. Once vested, these options will be exercisable at $2.99 each and expire on 31 December 2010.

3,439,000 options (78 cents and 89 cents) that vested on 31 December 2007 have been exercised resulting in $2.9 million being received by the Company.

ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst and Young.

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

In relation to our review of the financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Liability limited by a scheme approved under Professional Standards Legislation.

Gavin Buckingham

Gavin A. Buckingham
Partner
13 February 2008

Signed in accordance with a resolution of the Directors.

Neil Hamilton
Director
Perth, Western Australia
13 February 2008

Income Statement

For the half-year ended 31 December 2007

	Notes	CONSOLIDATED 31 December 2007 $'000	CONSOLIDATED 31 December 2006 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	174,854	69,739
Other revenue	3[a]	1,343	773
TOTAL REVENUE		**176,197**	**70,512**
Cost of sales	3[d]	(115,735)	(49,971)
GROSS PROFIT		**60,462**	**20,541**
Other income	3[b]	2,561	181
Other expenses	3[d]	(9,788)	(7,012)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**53,235**	**13,710**
Finance costs	3[c]	(7,112)	(614)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**46,123**	**13,096**
Income tax (expense) / benefit		(13,988)	(4,420)
NET PROFIT FROM CONTINUING OPERATIONS FOR THE PERIOD AFTER INCOME TAX		**32,135**	**8,676**
Profit from discontinued operations after income tax	3[e]	-	18,721
NET PROFIT FOR THE PERIOD AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**32,135**	**27,397**
Earnings per share (cents per share):			
- basic earnings per share		4.06	5.59
- diluted earnings per share		3.99	5.55
- basic earnings per share – continuing operations		4.06	1.77
- diluted earnings per share – continuing operations		3.99	1.76

Balance Sheet

As at 31 December 2007

	Notes	CONSOLIDATED	
		31 December 2007 $'000	30 June 2007 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		42,417	60,798
Trade and other receivables		14,909	9,848
Inventories		53,539	34,581
Prepayments		2,565	1,049
Derivatives		7,638	5,065
TOTAL CURRENT ASSETS		**121,068**	**111,341**
NON-CURRENT ASSETS			
Available for sale financial assets		1,704	1,805
Property, plant and equipment		190,245	187,768
Deferred acquisition, exploration, evaluation and development costs		12,495	9,027
Mine properties		396,368	370,684
Deferred income tax assets		-	11,875
TOTAL NON-CURRENT ASSETS		**600,812**	**581,159**
TOTAL ASSETS		**721,880**	**692,500**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		54,527	64,314
Interest-bearing loans and borrowings	5	12,771	98,754
Derivatives		1,020	-
Provisions		1,656	1,172
TOTAL CURRENT LIABILITIES		**69,974**	**164,240**
NON-CURRENT LIABILITIES			
Provisions		18,489	18,470
Interest-bearing loans and borrowings	5	138,648	55,481
Deferred income tax liabilities		2,305	-
TOTAL NON-CURRENT LIABILITIES		**159,442**	**73,951**
TOTAL LIABILITIES		**229,416**	**238,191**
NET ASSETS		**492,464**	**454,309**
EQUITY			
Issued capital	6	389,531	386,766
Retained earnings		89,996	57,861
Reserves		12,937	9,682
TOTAL EQUITY		**492,464**	**454,309**

Cash Flow Statement

For the half-year ended 31 December 2007

	Notes	CONSOLIDATED	
		31 December 2007	31 December 2006
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		158,750	64,607
Payments to suppliers and employees		(153,880)	(67,231)
Interest paid		(6,608)	(629)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(1,738)**	**(3,253)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,172	158
Net cash acquired on acquisition of controlled entity		-	8,348
Proceeds from sale of property, plant and equipment		240	13
Purchase of property, plant and equipment		(13,420)	(8,309)
Payment for deferred exploration and evaluation expenditure		(2,379)	(2,320)
Payment for mine development		(1,794)	(2,104)
Proceeds from sale of financial assets		-	295
Proceeds from disposal of controlled entity, net of cash disposed	4[c]	-	37,854
Purchase of available for sale investments		(168)	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(16,349)**	**33,935**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		2,665	1,703
Loans from/(to) other entities		236	(280)
Proceeds from borrowings		93,000	17,080
Repayment of lease liabilities		(5,625)	(2,706)
Repayment of borrowings		(87,095)	-
Borrowing costs		(3,475)	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(294)**	**15,797**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(18,381)	46,479
Cash and cash equivalents at beginning of period		60,798	7,397
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4[a]	**42,417**	**53,876**

Statement of Changes in Equity

For the half-year ended 31 December 2007

CONSOLIDATED	Issued Capital	Share Based Payments Reserve	Retained Earnings	Net Unrealised Gains / (Losses) Reserve	Other Reserves	Total	Minority Interest	Total Equity
	Attributable to Equity Holders of the Parent							
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006	**86,851**	**5,954**	**10,096**	**(1,790)**	**(3,691)**	**97,420**	**11,776**	**109,196**
Net unrealised gain on available-for-sale financial assets	-	-	-	748	-	**748**	-	**748**
Impairment of available-for-sale financial assets	-	-	-	1,506	-	**1,506**	-	**1,506**
Net gains on cash flow hedges	-	-	-	3,985	-	**3,985**	-	**3,985**
Currency translation differences	-	-	-	-	(388)	**(388)**	-	**(388)**
Currency translation differences released on sale of controlled entity	-	-	-	-	885	**885**	-	**885**
Total income and expense for the period recognised directly in equity	**-**	**-**	**-**	**6,239**	**497**	**6,736**	**-**	**6,736**
Profit for the period	-	-	27,397	-	-	**27,397**	-	**27,397**
Total income and expense for the period	**-**	**-**	**27,397**	**6,239**	**497**	**34,133**		**34,133**
Issue of share capital	272,267	-	-	-	-	**272,267**	-	**272,267**
Shares to be issued pursuant to compulsory acquisition notice	25,603	-	-	-	-	**25,603**	-	**25,603**
Exercise of options	2,010	-	-	-	-	**2,010**	-	**2,010**
Cost of share-based payment	-	1,046	-	-	-	**1,046**	-	**1,046**
Change in Minority Interest	-	-	-	-	-	**-**	(11,776)	**(11,776)**
At 31 December 2006	**386,731**	**7,000**	**37,493**	**4,449**	**(3,194)**	**432,479**	**-**	**432,479**
At 1 July 2007	**386,766**	**8,911**	**57,861**	**3,963**	**(3,192)**	**454,309**	**-**	**454,309**
Impairment of available-for-sale financial assets	-	-	-	(265)	-	**(265)**	-	**(265)**
Net gains on cash flow hedges	-	-	-	1,620	-	**1,620**	-	**1,620**
Deferred income tax on capital raising costs	100	-	-	-	-	**100**	-	**100**
Total income and expense for the period recognised directly in equity	**100**	**-**	**-**	**1,355**	**-**	**1,455**	**-**	**1,455**
Profit for the period	-	-	32,135	-	-	**32,135**	-	**32,135**
Total income and expense for the period	**100**	**-**	**32,135**	**1,355**	**-**	**33,590**	**-**	**33,590**
Exercise of options	2,665	-	-	-	-	**2,665**	-	**2,665**
Cost of share-based payment	-	1,900	-	-	-	**1,900**	-	**1,900**
At 31 December 2007	**389,531**	**10,811**	**89,996**	**5,318**	**(3,192)**	**492,464**	**-**	**492,464**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2007

1. CORPORATE INFORMATION

The financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 13 February 2008.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office is Level 1, 7 Havelock Street, West Perth, WA, 6005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2007. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Stock Exchange Listing Rules.

(a) Basis of preparation

The half-year financial report is a general-purpose condensed financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 "Interim Financial Reporting".

The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments and quoted available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant Accounting Policies

These half-year financial statements have been prepared using the same accounting policies as used in the Annual Financial Report of the Company for the year ended 30 June 2007, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2007, as described in Note 2(d).

(c) Changes in accounting policies

Since 1 July 2007 the Consolidated Entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

These are outlined in the table below:

Reference	Title	Impact on Consolidated Entity financial report	Application Date of Standard	Application Date for Consolidated Entity
Revised AASB 101	Presentation of Financial Statements	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	No change to accounting policy required. Therefore no impact.	1 March 2007	1 July 2007
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED151 and Other Amendments	No change to accounting policy required. Therefore no impact.	1 July 2007	1 July 2007
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	No change to accounting policy required. Therefore no impact.	1 July 2007	1 July 2007
AASB 7	Financial Instruments: Disclosures	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
AASB Interpretation 10	Interim Financial Reporting and Impairment	No change to accounting policy required. Therefore no impact.	1 November 2006	1 July 2007

Notes to the Half-Year Financial Report (continued)

		CONSOLIDATED	
		31 December 2007 $'000	31 December 2006 $'000
3.	**REVENUE AND EXPENSES**		
[a]	**Revenue**		
	Sale of ore	174,854	69,739
	Other revenue		
	Finance income – other persons / corporations	1,343	773
[b]	**Other income**		
	Unrealised gain on foreign exchange	-	165
	Realised gain on foreign exchange	2,561	-
	Net gain on sale of plant and equipment	-	10
	Other income	-	6
		2,561	181
[c]	**Finance costs**		
	Loans	4,076	423
	Amortisation of borrowing costs	699	
	Finance charges payable under finance leases	2,337	174
	Unwinding of discount on rehabilitation provision	-	17
		7,112	614
[d]	**Expenses included in the Income Statement include:**		
	Depreciation of Non-Current Assets	12,415	2,689
	Amortisation of deferred waste	65,854	32,537
	Amortisation of other mine properties	14,479	716
	Expense of share-based payments	1,900	1,046
	Operating lease rental – minimum lease payments	12,529	8,604
	Exploration expenditure written off	73	4
	Net loss on sale of plant and equipment	12	-
	Net loss on disposal of financial assets	3	-
	Government royalties	11,145	4,685
	Salaries, wages expense and other employee benefits	13,102	8,989
	Impairment of loan	-	280
	Impairment of available-for-sale investments	-	1,506
	Net unrealised loss on foreign exchange	1,209	-

Notes to the Half-Year Financial Report (continued)

[e] Profit from discontinued operations

On 17 November 2006 the Consolidated Entity sold its 73% interest in Asia Iron Holdings Limited ("Asia Iron") to Sinom Investments and ceased to consolidate Asia Iron. That business is reported as a discontinued operation in this financial report. The financial information presented below in respect of Asia Iron represents the period 1 July 2006 to 17 November 2006.

	Notes	31 December 2007 $'000	31 December 2006 $'000
ASIA IRON			
Other revenue		-	4
TOTAL REVENUE		**-**	**4**
Cost of sales		-	-
GROSS PROFIT		**-**	**4**
Other income		-	368
Other expenses		-	(242)
PROFIT OF ASIA IRON BEFORE TAX AND FINANCE COSTS		**-**	**130**
Finance costs		-	(16)
PROFIT OF ASIA IRON BEFORE INCOME TAX		**-**	**114**
Income tax (expense) / benefit		-	-
NET PROFIT OF ASIA IRON FOR THE PERIOD AFTER INCOME TAX		**-**	**114**
Gain on deconsolidation of Asia Iron	[i]	-	26,684
Related income tax	[i]	-	(8,077)
NET PROFIT AFTER INCOME TAX RECOGNISED ON DISPOSAL OF ASIA IRON		-	18,607
NET PROFIT FROM DISCONTINUED OPERATIONS AFTER INCOME TAX		**-**	**18,721**
Earnings per share (cents per share):			
- basic earnings per share – discontinued operations		-	3.82
- diluted earnings per share – discontinued operations		-	3.79

[i] Details of the gain on deconsolidation of Asia Iron

	Notes	31 December 2006 $'000
Consideration received on disposal:		
- Cash received		40,000
- less: transaction costs		(492)
Net cash received on disposal		39,508
- Cash receivable		12,500
Net disposal consideration		**52,008**
MGI and MGM share of Asia Iron net assets disposed		24,439
FX translation reserve at disposal date		885
		25,324
Gain on deconsolidation before income tax		26,684
Related income tax expense		(8,077)
Gain on deconsolidation of Asia Iron after income tax		**18,607**

Notes to the Half-Year Financial Report (continued)

	CONSOLIDATED	
	31 December 2007 $'000	31 December 2006 $'000

4. CASH AND CASH EQUIVALENTS

[a] Reconciliation of cash

	31 December 2007 $'000	31 December 2006 $'000
Cash at bank and in hand	17,418	25,308
Short-term deposits	24,999	28,568
	42,417	**53,876**

[b] Non-cash financing activities

During the period ended 31 December 2007, the Consolidated Entity acquired property, plant and equipment with an aggregate fair value of $1,725,000 (2006: $13,120,321) by means of finance leases and hire purchase agreements.

[c] Cash flow from discontinued operation

The net cash flow on disposal of Asia Iron is presented below:

	Notes	31 December 2007 $'000	31 December 2006 $'000
Net cash inflow on disposal			
Net cash consideration received on disposal	3[e]	-	39,508
Less cash and cash equivalents balances disposed		-	(1,654)
Net inflow of cash on disposal		**-**	**37,854**
Net cash flows of Asia Iron			
In respect of the discontinued operation of Asia Iron, the following net cash flows are included in the Condensed Cash Flow statement			
Operating activities		-	(211)
Investing activities		-	(960)
Financing activities		-	-
Net cash flows used by discontinued operation		**-**	**(1,171)**

Notes to the Half-Year Financial Report (continued)

	Notes	CONSOLIDATED 31 December 2007 $'000	30 June 2007 $'000
5. INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Lease liability	[a]	2,606	2,638
Hire purchase facility	[b]	10,165	8,665
Project Debt	[c]	-	87,451
		12,771	**98,754**
Non-Current			
Lease liability	[a]	8,358	6,399
Hire purchase facility	[b]	41,227	49,082
Corporate Debt	[e]	93,000	-
		142,585	**55,481**

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Notes	31 December 2007 $'000	30 June 2007 $'000
Total facilities:			
• Finance leases	[a]	10,964	9,037
• Hire purchase facility	[b]	51,392	57,747
• Project Debt facility	[c]	-	100,000
• Contingent Instrument facility	[d]	25,000	5,488
• Bank multiple advance	[d]	-	20,474
• Corporate Debt	[e]	175,000	-
		262,356	**192,746**
Facilities used at reporting date:			
• Finance leases		10,964	9,037
• Hire purchase facility		51,392	57,747
• Project Debt facility		-	87,451
• Contingent Instrument facility		14,776	5,488
• Bank multiple advance		-	-
• Corporate Debt		93,000	-
		170,132	**159,723**
Facilities unused at reporting date:			
• Finance leases		-	-
• Hire purchase facility		-	-
• Project Debt facility		-	12,549
• Contingent Instrument facility		10,224	-
• Bank multiple advance		-	20,474
• Corporate Debt		82,000	-
		92,224	**33,023**

Notes to the Half-Year Financial Report (continued)

Terms and conditions relating to the above financial facilities:

[a] Finance leases are repayable monthly with final instalments due in August 2013. Interest is charged at an average rate of 8.24%. Secured by first mortgage over the leased assets.

[b] Hire purchase arrangements have been entered into by Koolan Iron Ore Pty Ltd via a Master Lease agreement with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Hire purchase amounts are repayable monthly with final instalments due in April 2012. Interest is charged at an average rate of 7.14%. Secured by first mortgage over the assets the subject of the hire purchase agreement and a guarantee from Mount Gibson Iron Limited. This facility is drawn and repayable in US$ for Komatsu and A$ for NAB.

[c] The project finance facility was with a banking syndicate comprising Westpac Banking Corporation, Bank of Scotland (Australia) Limited and Bank of Tokyo-Mitsubishi UFJ Ltd. The $100 million facility consisted of:

- Senior debt facility of $54 million (drawn in US$);
- Cost overrun facility of $10 million (drawn in US$);
- Working capital facility of $30 million; and
- Environmental bond facility of $6 million.

The security pledge for these facilities was a fixed and floating charge over all the assets and undertakings of Koolan Iron Ore Pty Ltd with a guarantee from Aztec Resources Limited. Interest was charged at an average rate of 7.22%.

As set out in [e] below, this project finance facility was repaid in full and cancelled by the drawdown of the Corporate Debt facility on 6 September 2007.

[d] This facility was with HSBC Bank Australia Limited. The security pledge for these facilities was a fixed and floating charge over all the assets and undertakings of Mount Gibson Mining Limited, Mount Gibson Iron Limited and Geraldton Bulk Handling Pty Ltd.

As set out in [e] below, this facility was repaid in full and cancelled by the drawdown of the Corporate Debt facility on 6 September 2007.

[e] In June 2007 the Company mandated HSBC Australia Limited and National Australia Bank Limited as the joint lead Arranger and Underwriting Banks for a $200 million debt facility to fund the refinance of the existing project finance facility in [c] above and the HSBC facility in [d] above and provide additional debt funding for the Koolan Island and Extension Hill iron ore developments. The facility documentation was signed on 28 August 2007 with drawdown on 6 September 2007.

The $200 million facility consists of:

- Senior debt facility of $175 million comprising 2 tranches:
  1. Tranche 1 of $125 million;
  2. Extension Hill tranche of $50 million which is only drawable against the Extension Hill DSO project after certain conditions precedent have been satisfied including EPA approval and Company Board approval for the project to proceed. It is anticipated that these conditions precedent to drawdown will be satisfied by March 2008; and
- Contingent Instrument facility of $25 million (including guarantees, performance bonds).

At 30 June 2010 a review of the facility will be undertaken to determine the amortisation period and final debt repayment date which will be no later than 30 June 2012.

The average interest rate on the debt facility is 8.51%.

The security pledge for these facilities is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite at Extension Hill.

Notes to the Half-Year Financial Report (continued)

	Notes	CONSOLIDATED	
		31 December 2007 $'000	**30 June 2007 $'000**
6. ISSUED CAPITAL			
[a] Ordinary shares			
Issued and full paid	[b]	**389,531**	**386,766**

	31 December 2007	
	Number of Shares	**$'000**
[b] Movement in ordinary shares on issue		
Beginning of the half-year	**787,786,821**	**386,766**
Exercise of options	5,300,000	2,665
Deferred income tax on capital raising costs	-	100
End of the half- year	**793,086,821**	**389,531**

[c] Share options

As at balance date the following Options over unissued Shares were on issue:

Exercise Price	Exercise Date/Period	31 December 2007 Number	30 June 2007 Number
50 cents	On or before 31 December 2007	-	5,000,000
55 cents	On or before 31 December 2008	4,700,000	5,000,000
78 cents	On or before 31 December 2009*	3,000,000	-
89 cents	On or before 31 December 2009*	6,025,000	-
90 cents	On or before 30 June 2010	2,000,000	2,000,000
90 cents	On or before 23 October 2010	3,000,000	3,000,000
110 cents	On or before 23 October 2012	2,000,000	2,000,000
		20,725,000	**17,000,000**

* These options vested on 31 December 2007 and were issued on 7 January 2008.

Share options carry no right to dividends and no voting rights.

Notes to the Half-Year Financial Report (continued)

7. DIVIDENDS PAID AND PROPOSED

No amounts have been paid, declared or recommended by the company by way of dividend since the commencement of the half-year.

8. SEGMENT INFORMATION

The Consolidated Entity operates primarily in the mining sector, through the exploration, evaluation and development of its iron ore deposits in Western Australia.

9. EVENTS AFTER THE BALANCE SHEET DATE

9,200,000 options were granted but not issued under the Employee Share Scheme. The options were granted on the basis that the employees must complete employment service to 31 December 2009 before the options vest, at which time they will be issued to the respective employees. Once vested, these options will be exercisable at $2.99 each and expire on 31 December 2010.

3,439,000 options (78 cents and 89 cents) that vested on 31 December 2007 have been exercised resulting in $2.9 million being received by the Company.

10. COMMITMENTS

At 31 December 2007 the Consolidation Entity has commitments of $10 million (30 June 2007: $18 million) relating to operating leases for the provision of mobile fleet equipment and office rental, and commitments of $62 million (30 June 2007: $67 million) under finance leases and hire purchase liabilities.

11. CONTINGENCIES

There are no contingent liabilities or contingent assets as at the date of this report.

Directors' Declaration

In accordance with a resolution of the directors of Mount Gibson Iron Limited, I state that:

In the opinion of the Directors:

a. the financial statements and the notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the Consolidated Entity; and

   ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Neil Hamilton
Director

Perth, 13 February 2008

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To the members of Mount Gibson Iron Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half year financial report of Mount Gibson Iron Limited, which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 December 2007 half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Mount Gibson Iron Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mount Gibson Iron Limited is not in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A. Buckingham
Partner
Perth
13 February 2008