

# QUARTERLY REPORT



## **MOUNT GIBSON IRON LIMITED (“MOUNT GIBSON”) QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2011 ASX ANNOUNCEMENT 27 JULY 2011**

### **HIGHLIGHTS**

- Annual ore sales of 5.2 million tonnes
- Net unaudited profit after tax of \$239.5 million
- Cash on hand of \$387 million
- No debt
- Transition from contract mining to owner mining at Koolan Island commenced
- Exploration drilling of Koolan Island West End targets commenced
- Extension Hill capital works substantially complete and Mount Gibson owner mining commenced

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## CORPORATE

### Unaudited Financial Results

The unaudited net profit after tax for the twelve months ended 30 June 2011 was \$239.5 million as set out below:

		Unaudited 6 months ended 31 Dec 2010	Unaudited 6 months ended 30 June 2011	Unaudited 12 months ended 30 June 2011
Tonnes mined	wmt (mill)	3.1	2.3	5.4
Tonnes sold	wmt (mill)	3.2	2.0	5.2
Revenue	\$ mill	382.1	290.0	672.1
Interest income	\$ mill	10.5	10.6	21.1
Cost of goods sold	\$ mill	(189.9)	(135.2)	(325.1)
<b>Gross profit</b>	<b>\$ mill</b>	<b>202.7</b>	<b>165.4</b>	<b>368.1</b>
Admin and other expenses	\$ mill	(10.3)	(10.0)	(20.3)
FX hedge mark-to-market (loss) / gain	\$ mill	14.1	(6.0)	8.1
<b>Operating profit before interest &amp; tax</b>	<b>\$ mill</b>	<b>206.5</b>	<b>149.4</b>	<b>355.9</b>
Finance costs	\$ mill	(8.5)	(4.5)	(13.0)
<b>Net profit before tax</b>	<b>\$ mill</b>	<b>198.0</b>	<b>144.9</b>	<b>342.9</b>
Tax (expense)	\$ mill	(58.0)	(45.4)	(103.4)
<b>Net profit after tax</b>	<b>\$ mill</b>	<b>140.0</b>	<b>99.5</b>	<b>239.5</b>

At 30 June 2011, Mount Gibson had:

- \$387 million cash on hand;
- No Senior Debt; and
- \$40 million in equipment finance leases.

### Carbon Tax

Mount Gibson has reviewed the announcements by the Federal Government regarding the proposed carbon tax and whilst there will be a direct financial impact the detail provided by the Federal Government regarding the tax is incomplete and uncertain. Based on forecast emission levels, Mount Gibson will be emitting the equivalent of approximately 160,000 tonnes of CO<sub>2</sub> assuming continued operations from Talling Peak, Koolan Island and Extension Hill.

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## OPERATIONS

### Tallering Peak

Total material movement for the quarter exceeded the previous quarter by 32% with ore mined 33% up on the previous quarter. Ore was predominantly sourced from T6a3a and T6a3c ore benches whilst T2 and T5 pits continued to receive waste backfill, effectively reducing truck cycle times.

Crusher throughput was up 33% on the previous quarter whilst road haulage was up 13% on the previous quarter. Shipments exceeded the previous quarter by 11% but were adversely affected by ocean swells in the port which restricted 2 further vessels being loaded during the quarter.

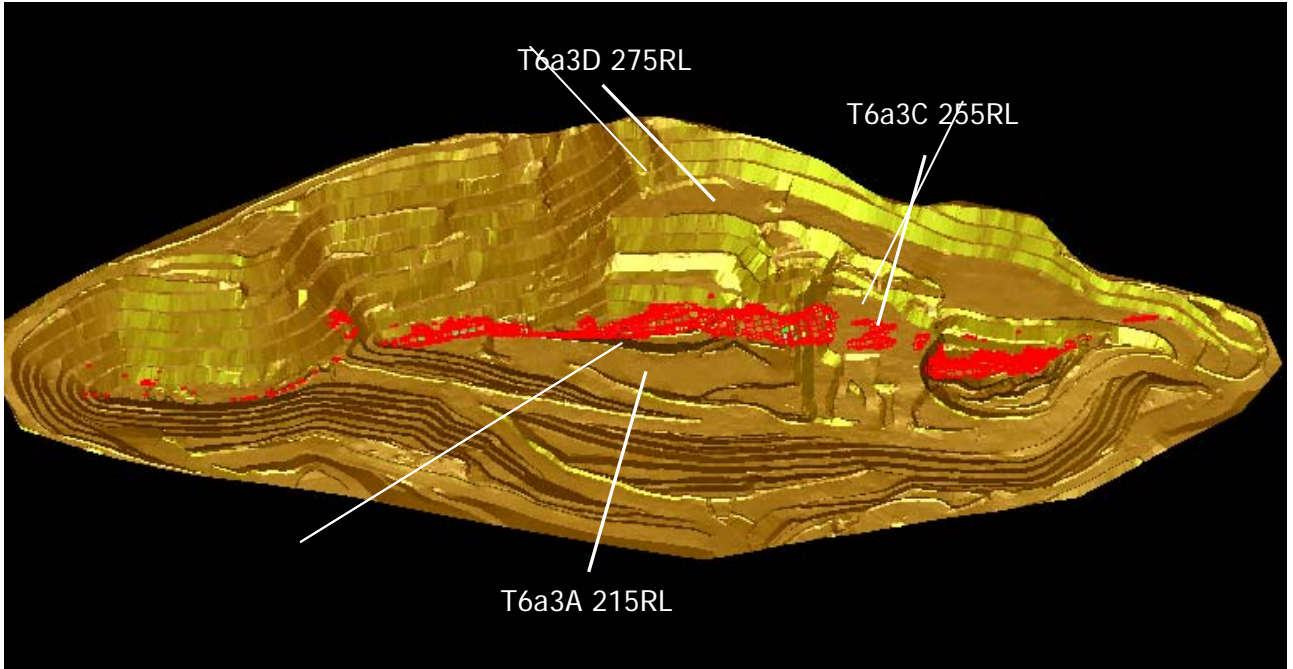
The Geraldton Port Authority has scheduled a 2 week maintenance shutdown in August which may adversely impact forecast ore sales of 720,000 tonnes in the September quarter.

Production for the June quarter is detailed in the following table:

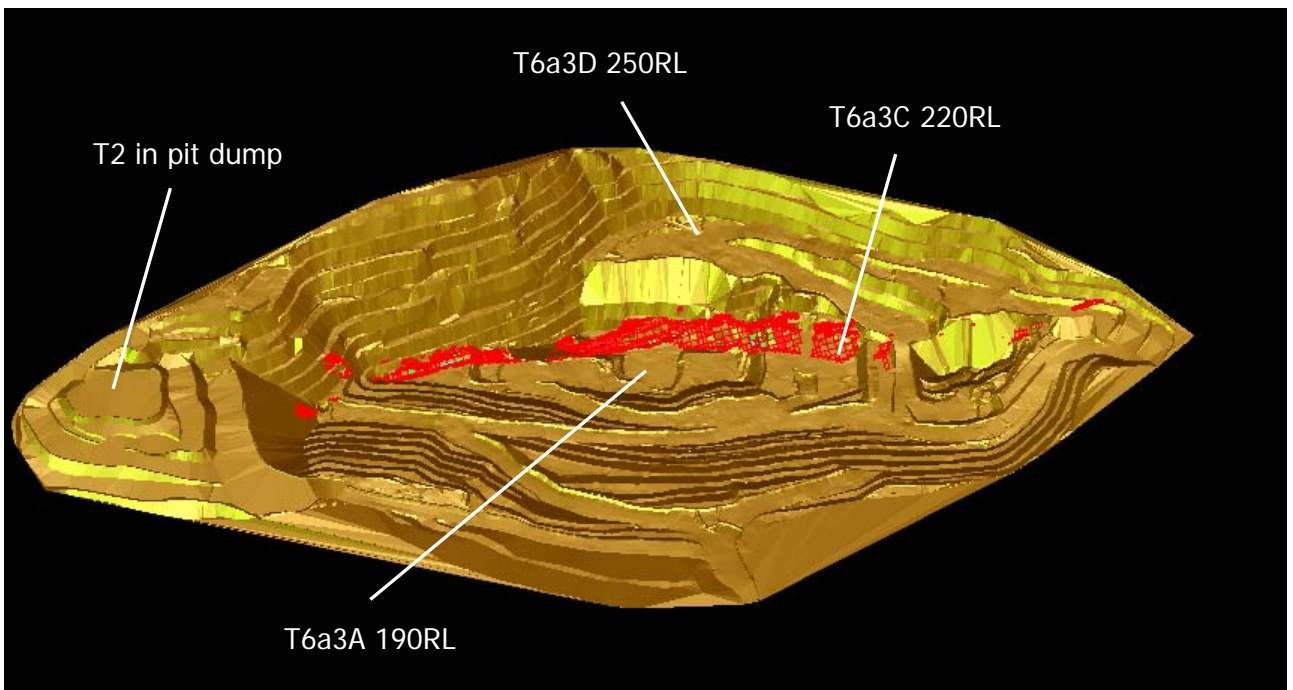
		Sept 2010 qtr 000's	Dec 2010 qtr 000's	March 2011 qtr 000's	June 2011 qtr 000's	TOTAL 10-11 000's
<b>Mining</b>						
Waste Mined	bcm	2,543	2,268	1,548	1825	<b>8,184</b>
Ore Mined	wmt	921	512	400	766	<b>2,599</b>
<b>Crushing</b>						
Lump	wmt	437	435	346	468	<b>1,686</b>
Fines	wmt	324	388	273	395	<b>1,380</b>
<b>Total</b>		<b>761</b>	<b>823</b>	<b>619</b>	<b>863</b>	<b>3,066</b>
<b>Transport to Mullewa Railhead</b>						
Lump	wmt	443	385	354	380	<b>1,562</b>
Fines	wmt	447	310	296	351	<b>1,404</b>
<b>Total</b>		<b>890</b>	<b>695</b>	<b>650</b>	<b>731</b>	<b>2,966</b>
<b>Transport to Geraldton Port</b>						
Lump	wmt	329	387	149	319	<b>1,184</b>
Fines	wmt	395	412	509	325	<b>1,641</b>
<b>Total</b>		<b>724</b>	<b>799</b>	<b>658</b>	<b>644</b>	<b>2,825</b>
<b>Shipping</b>						
Lump	wmt	286	474	121	304	<b>1,185</b>
Fines	wmt	401	416	476	357	<b>1,650</b>
<b>Total</b>		<b>687</b>	<b>890</b>	<b>597</b>	<b>661</b>	<b>2,835</b>

Comparison between figure 1 and figure 2 shows the progress of Tallering Peak's Main Range mining operations in the June 2011 quarter.

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*Figure 1 - Main Range mining as at the end of the March 2011 quarter*



*Figure 2 - Main Range mining as at the end of the June 2011 quarter*



*Figure 3 - Main Range Pit looking west from the high-wall*

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## Koolan Island

Koolan Island's mining and maintenance contract expired at the end of June 2011. As expected the transition from contract mining to owner mining impacted Koolan Island's production performance in the June quarter and will continue to impact production performance, albeit to a lesser extent, in the September quarter. The transition to owner mining has progressed well given the magnitude of the transition and the number of activities involved. Mount Gibson has effectively replaced contracted labour on site and is in the process of replacing equipment that was provided as part of the mining contract. Koolan Island is also taking the opportunity during the transition period to replace major components on the heavy mining and ancillary fleet whilst additional fleet is delivered to site.

Ore production was 22% higher than the previous quarter whilst waste movements were 31% higher than the previous quarter.

The main source of high grade ore was Mullet Acacia pit and will continue to account for most of the ore production from Koolan Island until October 2011 when Stage 1 Main Pit ore production commences.

Crushing and screening exceeded the previous quarter's output by 87%. Production from the crushing and screening facility is expected to increase further during the September quarter as reliability and throughput of the plant continues to improve following operating and maintenance improvements. Further reliability and maintenance improvements are scheduled throughout the 2011/12 year.

Ore shipments were 33% below the previous quarter resulting from a requirement to restock blend products and the late arrival of two June shipments which were not loaded by the end of June. Ore shipments are expected to improve during the September quarter as the transition from contract to owner mining consolidates and as mining fleet is both returned to service following component change out and supplemented by additional fleet.

Production for the June quarter is detailed in the following table:

		Sept 2010 qtr 000's	Dec 2010 qtr 000's	March 2011 qtr 000's	June 2011 qtr 000's	TOTAL 10-11 000's
<b>Mining</b>						
Waste Mined	bcm	3,001	2,536	1,799	2,350	<b>9,686</b>
Ore Mined	wmt	919	775	374	455	<b>2,523</b>
<b>Crushing</b>						
Lump	wmt	277	308	141	296	<b>1,022</b>
Fines	wmt	397	357	199	339	<b>1,292</b>
<b>Total</b>	wmt	<b>674</b>	<b>665</b>	<b>340</b>	<b>635</b>	<b>2,314</b>
<b>Shipping</b>						
Lump	wmt	286	287	166	148	<b>887</b>
Fines	wmt	515	578	273	148	<b>1,514</b>
<b>Total</b>	wmt	<b>801</b>	<b>865</b>	<b>439</b>	<b>296</b>	<b>2,401</b>

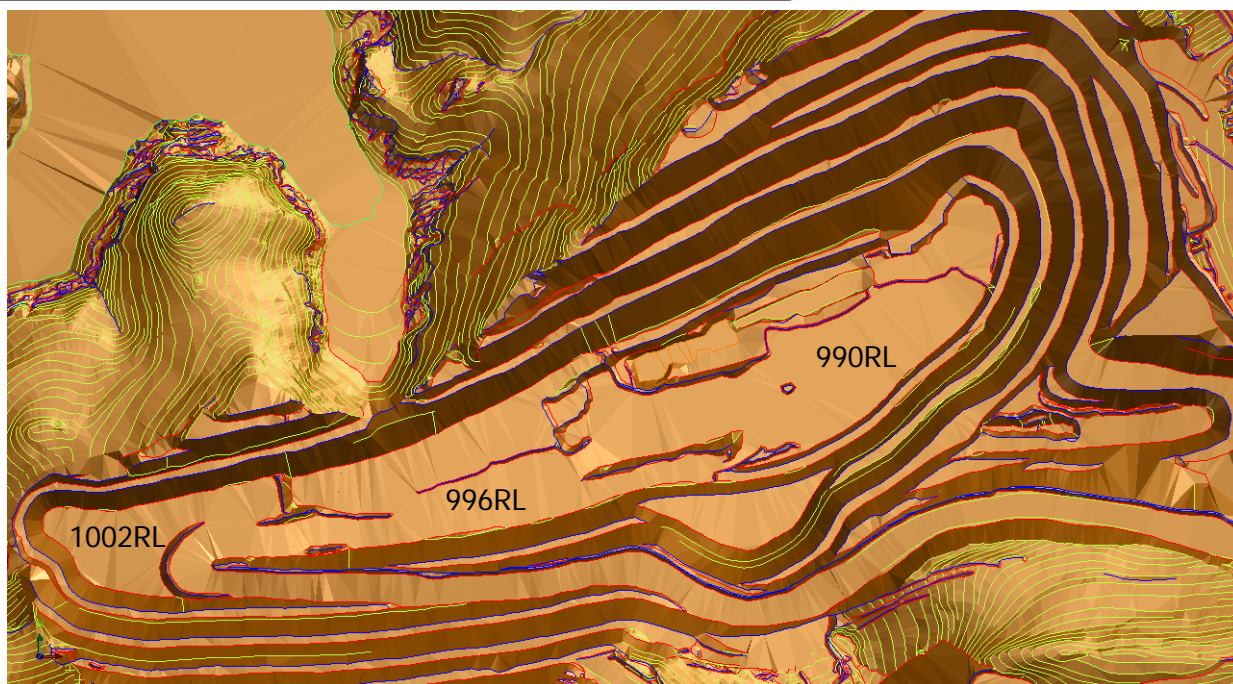
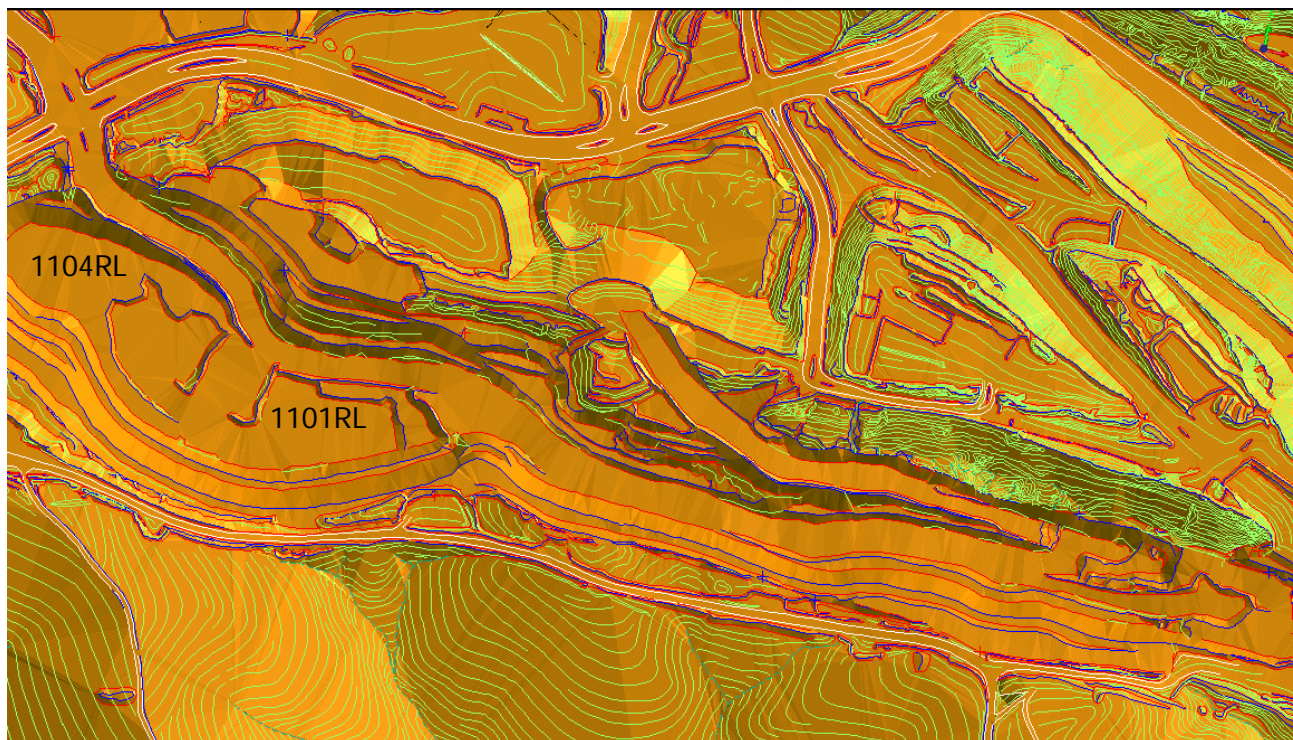


Figure 4 - Mullet Pit at the end of June 2011 showing bench development



Figure 5 - Mullet Pit at the end of June 2011 looking west

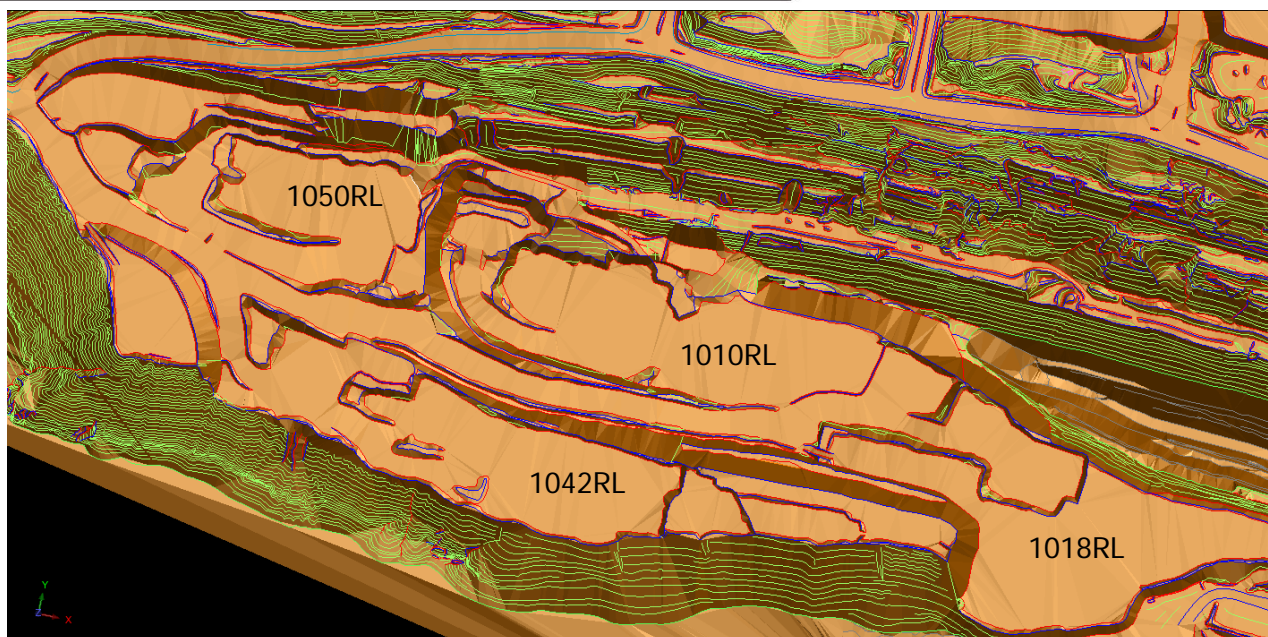


*Figure 6 – Barramundi West at the end of June 2011 showing bench development*



*Figure 7 – Barramundi West at the end of June 2011 looking west*





*Figure 8 – Main Pit stage 1 at the end of June 2011 showing bench development*



*Figure 9 – Main Pit south wall cut back and Main Pit Stage 1 at the end of June 2011 looking east*

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## Extension Hill Hematite Mine

Clearing and recovery of topsoil within the pit limits and waste dump concluded during the quarter. A further 15.8 hectares was cleared and 110,100m<sup>3</sup> of topsoil and subsoil was recovered and relocated to storage. The collected material will allow the final waste dump to be fully rehabilitated at the conclusion of Mount Gibson operations.

Completion of the pioneering works contract in May saw a further 443,440 BCM excavated from the pit including 63,000 tonnes of ore placed in stockpiles ready for crusher commissioning.

The commencement of crushing and subsequent road haulage to the recently completed Perenjori siding has, as previously announced, been delayed as the crushing and screening facility design and construct contractor remedies areas of the facility where Mount Gibson has identified conveyor structures that have not been designed to satisfy the requirements of the applicable Australian Standards. Mount Gibson is yet to be provided with a revised wet commissioning plan from the crushing and screening facility design and construct contractor and will advise the impact on targeted shipping schedules when received.

Production for the June quarter is detailed in the following table:

		March 2011 qtr 000's	June 2011 qtr 000's	TOTAL 10-11 000's
<b>Mining</b>				
Waste Mined	bcm	280	364	<b>644</b>
Ore Mined	wmt	63	237	<b>300</b>
<b>Crushing</b>				
Lump	wmt	0	0	<b>0</b>
Fines	wmt	0	0	<b>0</b>
<b>Total</b>	wmt	0	0	<b>0</b>
<b>Transport to Perenjori Railhead</b>				
Lump	wmt	0	0	<b>0</b>
Fines	wmt	0	0	<b>0</b>
<b>Total</b>	wmt	0	0	<b>0</b>
<b>Transport to Geraldton Port</b>				
Lump	wmt	0	0	<b>0</b>
Fines	wmt	0	0	<b>0</b>
<b>Total</b>	wmt	0	0	<b>0</b>
<b>Shipping</b>				
Lump	wmt	0	0	<b>0</b>
Fines	wmt	0	0	<b>0</b>
<b>Total</b>	wmt	0	0	<b>0</b>

Train unloader design and construction delays at the Geraldton port as a consequence of the interface between the common user facilities and Karara Mining port infrastructure will restrict output from Extension Hill, as previously announced, in the first half of the 2011/12 financial year. Mine and rail infrastructure is scheduled to be commissioned during the September quarter whilst Geraldton port infrastructure is tentatively scheduled to be commissioned late in the December 2011 quarter. Mount Gibson will batch transport ore from Talling Peak and Extension Hill to the Geraldton port utilising Mount Gibson's existing berth 4 facilities to mitigate, as far as practicable, the impact of any possible delays to the construction of the Geraldton port train unloader facility. Full 3 million tonne per annum shipping rates from both Talling Peak and Extension Hill will only be achieved when the upgraded train unloader at the Geraldton port is commissioned.

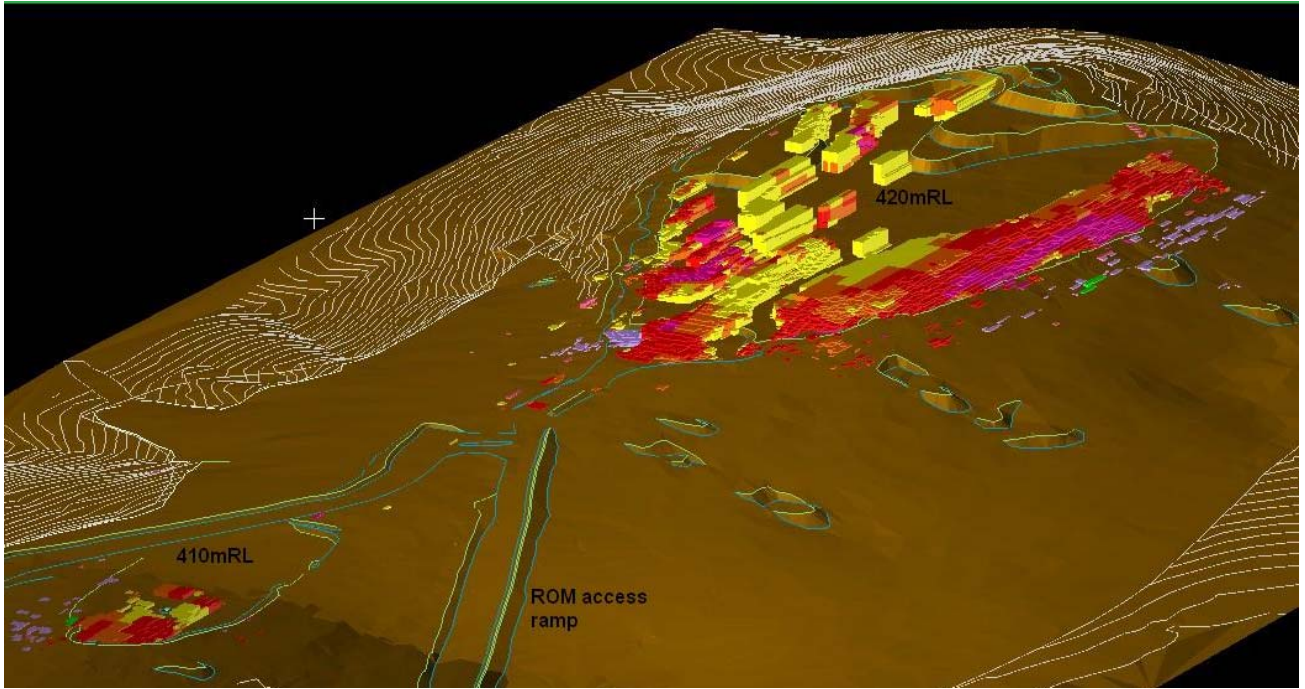


Figure 10 - Extension Hill mining as at the end of the June 2011 quarter

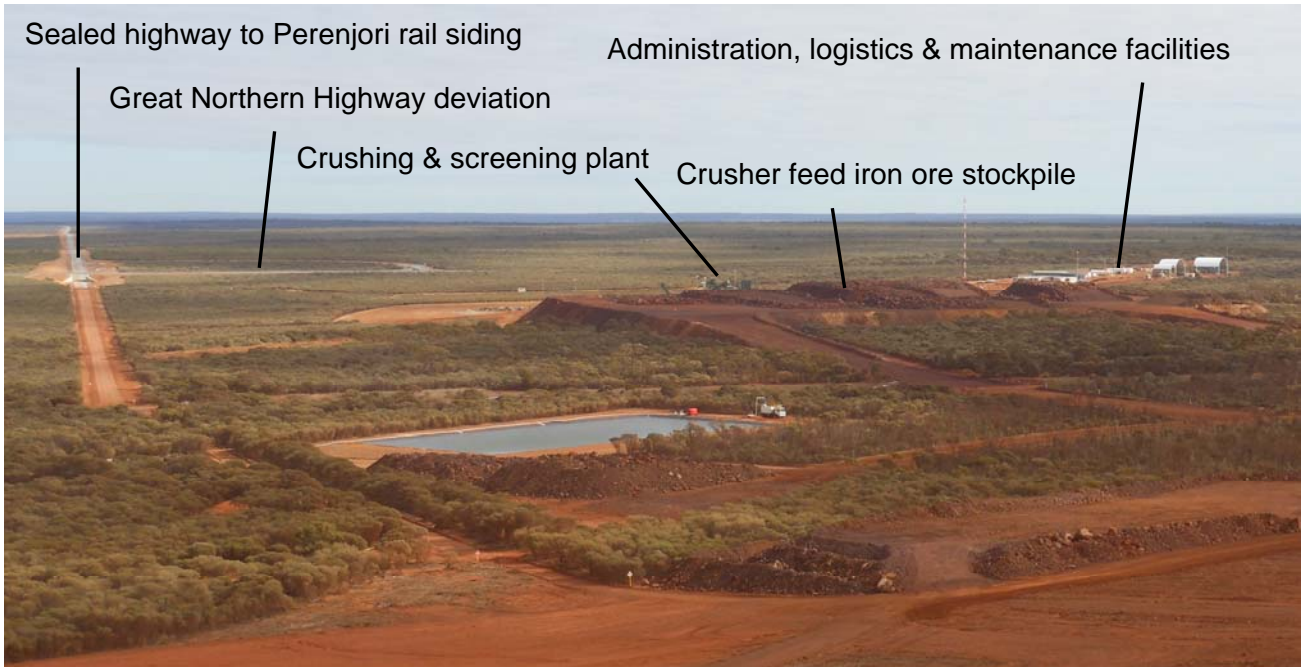


Figure 11 – Site facilities looking west from the pit floor showing transport infrastructure, crushing and screening plant, ROM pad with commissioning and ore stockpiles, site administration and mobile workshops



*Figure 12 – Extension Hill owner mining fleet commenced 26 June 2011 replacing pioneering contractor*



*Figure 13 – Extension Hill crushing and screening plant*



## EXPLORATION

Drilling at Koolan Island for the quarter totaled 15 holes for 2,951m (Figure 14), split between Main Pit and the West End. Main Pit drilling continued from April to June for 10 holes totaling 1,899m, for the purpose of improving ore definition and converting remaining in-pit inferred resources to reserves. The West End drilling consisted of 6 low-priority holes totaling 1,052m drilled during June. Tracks and pads were established for the West End drilling with 3km of old BHP tracks re-established, 1km of new track created and 12 drill pads were cleared. Due to access constraints drilling began with lower priority targets. Hematitic sandstones with no significant mineralization were intersected in these initial holes.



*Figure 14 – Plan of Main Pit, Koolan Island showing drillhole collar locations for holes drilled during the quarter (red circles) and all previous drilling (grey)*

Drilling in Main Pit continued to be challenging due to the soft, friable nature of the ore zones intersected. Several holes were terminated before fully bisecting the orebody. The assay results for Main pit drilling continue to be extremely high grade and low in contaminants. Drillhole PKRC1451 (Figure 15) gave an excellent intersection 46m @ 65.6% Fe and indicated that internal waste zones may be overstated in some areas of the model.

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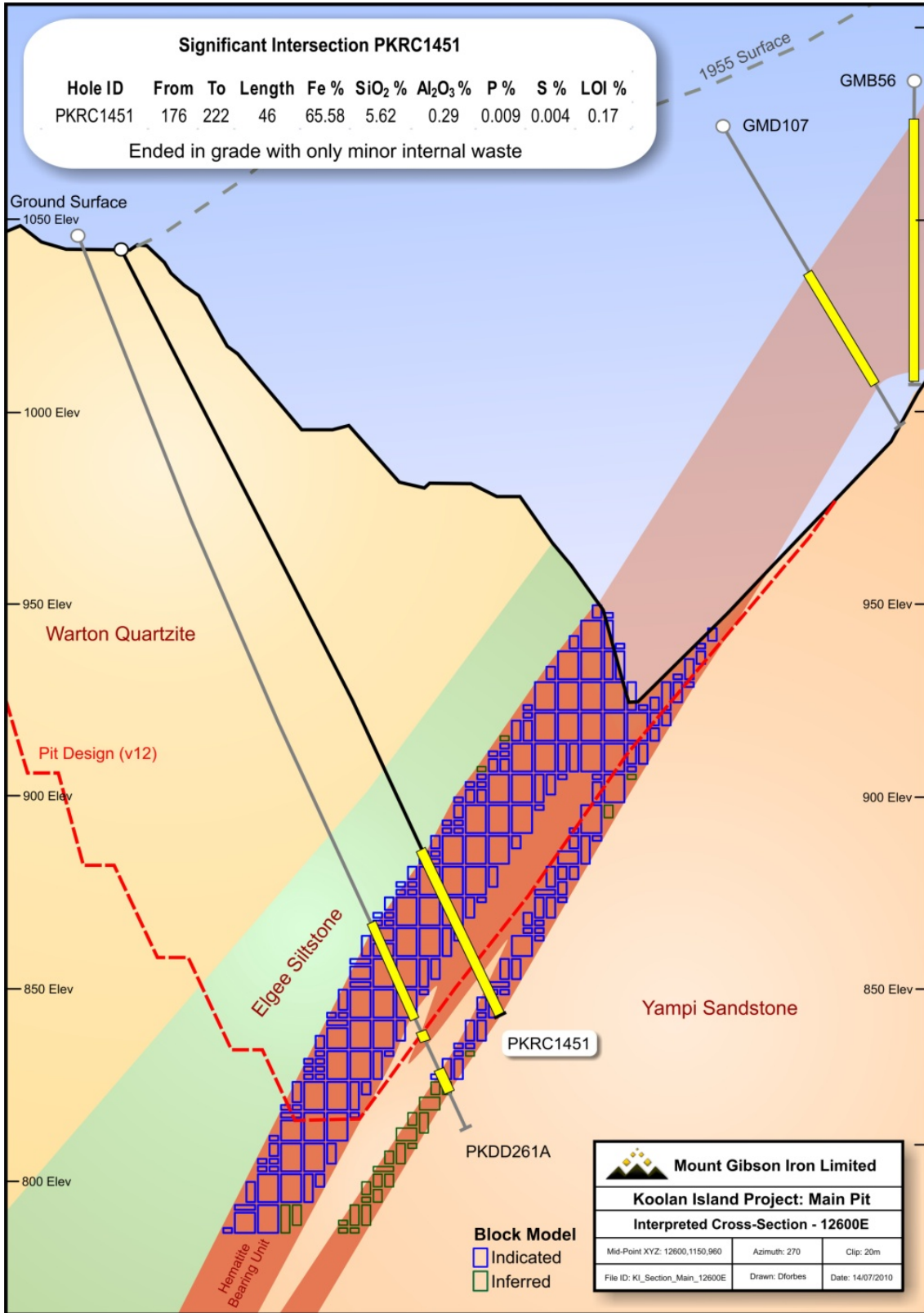


Figure 15 – Section 12600E, looking grid east, Main Deposit, Koolan Island.

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Significant results for the Main deposit are tabulated below:

*Table of significant assay results (>3 m, >55% Fe).*

Hole ID	From	To	Length	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	LOI %
PKRC1443	99	125	26	68.16	1.03	0.42	0.003	0.001	0.27
PKRC1444	177	184	7	67.87	2.14	0.45	0.005	0.001	0.21
PKRC1445	215	228	13	69.23	0.61	0.28	0.008	0.002	0.11
PKRC1446	206	216	10	68.84	0.78	0.53	0.012	0.005	0.32
PKRC1447	229	237	8	68.83	1.27	0.52	0.010	0.003	0.22
PKRC1448	198	240	42	65.74	4.64	0.55	0.036	0.006	0.27
PKRC1450	199	228	29	68.11	1.60	0.67	0.009	0.002	0.32
PKRC1451	176	222	46	65.58	5.62	0.29	0.009	0.004	0.17

The Talling Peak Main Range resource and diluted reserve block models were updated during the quarter. The re-modeling focused on the T4/T6 interface in an area intruded by dolerite dykes with limited prior drilling. Infill drilling was undertaken in the area and the update should greatly improve scheduling capabilities in the area. Updating the Koolan Island Main Pit resource and reserve block models also commenced late in the quarter. An additional 80 RC holes will be included in this update which also aims to improve estimates of Lump and Fines yields and further convert some Inferred Resource material to Indicated Resource status.



## EXTENSION HILL DIRECT SHIPPING ORE (“DSO”) PROJECT

The DSO Project construction tapered off during the quarter with significant elements of the project being completed. The current status of the key areas is detailed below:

### Extension Hill Mine Site

- Structural steel erection for the crushing plant continued throughout the quarter with work concentrating on carrying out remedial works to the structural components of the plant in order to rectify the previously identified structural design deficiencies
- The contractor engaged under a design and construction contract is continuing to carry out design checks and provide structural modifications in order to remedy their breach of the required design standards
- Mechanical and electrical works have progressed to the stage where dry commissioning of the crushing plant has been carried out
- Laboratory building and stores buildings were fully functional during the quarter
- Installation of the weighbridge mechanical, electrical and control components were completed

### Transport Corridor

- WestNet Rail completed the construction of the spur line to the rail siding from the adjacent Mullewa to Wubin rail line
- Perenjori rail siding infrastructure buildings including offices and workshops have been installed

### Geraldton Port – Berth 5 Storage Facility

- The structural steel and mechanical installation contractor achieved practical completion
- The Berth 5 storage shed awaits the supply of power from the GPA to enable the final dry commissioning of the shed to be completed

### GPA Train Unloader Upgrade

- Foundations works for TT502/701 are under construction by Laing O’Rourke on behalf of Karara Mining and Mount Gibson
- Steelwork fabrication contracts have been let for the erection TT502/701
- Common user facility upgrade detail design has progressed and is nearing completion
- Foundation piling for the upgraded train unloader transfer tower is scheduled to coincide with the GPA August maintenance shutdown
- Port rail upgrade works is to be completed by MVM Rail with an order to purchase rail and point sets placed



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## Attribution

The information in this report that relates to Exploration Results is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity 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.

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

The information in this report relating to Mining Reserves is based on information compiled by Rolf Forster and Weifeng Li, who are both members of the Australasian Institute of Mining and Metallurgy. Rolf Forster and Weifeng Li are consultants to Mount Gibson Mining Limited, and have sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to each 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 and Weifeng Li have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

**David Berg**  
Company Secretary