



# Mount Gibson Iron Limited

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9 February 2012

The Manager  
Company Announcements  
ASX Limited  
Level 10, 20 Bond Street  
SYDNEY NSW 2000

## Mount Gibson Reports First Half Net Profit of \$121.2m - Declares Maiden 2 cents-per-share Fully Franked Interim Dividend -

### Key Points

- Revenue \$376.9 million (-1.4% from same period 2010) on 12.3% lower tonnes sold offset by higher realised price
- Net profit \$121.2 million (-13.4% from same period 2010)
- Maiden interim dividend declared at 2.0 cents-per-share, fully franked
- Strong cash position of \$421 million
- Corporate rebuilding continues – new independent chairman and two independent directors appointed, management team expanded
- Extension Hill commences operation, first shipment made
- Potential resource extensions at Tallering Peak and Koolan Island

Key financial results for each of the last 3 consecutive six month periods:		6 months ended 31 Dec 2010	6 months ended 30 June 2011	6 months ended 31 Dec 2011
Tonnes mined	<i>wmt (mill)</i>	3.13	2.29	<b>3.55</b>
Tonnes sold	<i>wmt (mill)</i>	3.24	1.99	<b>2.84</b>
Realised price	<i>\$ / wmt sold</i>	117.8	145.5	<b>132.8</b>
Sales revenue	<i>\$ mill</i>	382.1	290.0	<b>376.9</b>
Interest income	<i>\$ mill</i>	10.5	10.6	<b>11.2</b>
Cost of goods sold	<i>\$ mill</i>	(189.9)	(135.1)	<b>(194.9)</b>
<b>Gross profit</b>	<i>\$ mill</i>	<b>202.7</b>	<b>165.5</b>	<b>193.2</b>
Admin and other expenses	<i>\$ mill</i>	(10.3)	(10.1)	<b>(12.2)</b>
Other income	<i>\$ mill</i>	-	-	<b>(0.7)</b>
FX derivatives mark-to-market (loss)/gain	<i>\$ mill</i>	14.1	(6.0)	<b>-</b>
<b>Operating profit before interest &amp; tax</b>	<i>\$ mill</i>	<b>206.5</b>	<b>149.4</b>	<b>180.3</b>
Finance costs	<i>\$ mill</i>	(8.5)	(4.5)	<b>(4.3)</b>
<b>Net profit before tax</b>	<i>\$ mill</i>	<b>198.0</b>	<b>144.9</b>	<b>176.0</b>
Tax (expense)	<i>\$ mill</i>	(58.0)	(45.4)	<b>(54.8)</b>
<b>Net profit after tax</b>	<i>\$ mill</i>	<b>140.0</b>	<b>99.5</b>	<b>121.2</b>

## COMMENT

The Chairman Mr. Geoff Hill said: "The directors are pleased to be able to deliver shareholders a maiden interim dividend, and we continue to retain a strong cash position. Management renewal is underway, with the company being ably led by our COO and acting CEO Jim Beyer. Importantly, Mount Gibson continued to rebuild the board following appointments of two new independent directors and we aim to conclude a search for another independent director soon."

COO and acting CEO Jim Beyer said: "This is a satisfactory result during a transition period of operational challenges at each of the mines. We look forward to completion of the rail un-loader and shed facilities at the Geraldton Port during the coming half-year, which will allow Mount Gibson to ramp-up production and ship at the rate of 6mtpa through Geraldton. Further, the recently signed native title access agreement for T1 at Tallering Peak may provide some limited reserve extensions and early drill hole results at Koolan during the December quarter may present opportunities for supplementary ore production in the future."

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

Yours sincerely,

**MOUNT GIBSON IRON LIMITED**



**David Berg**  
**Company Secretary**

For further information:

Jim Beyer or Alan Rule  
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## APPENDIX 4D

### 31 DECEMBER 2011 HALF-YEAR FINANCIAL STATEMENTS This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31 December 2011

Previous Corresponding Period: 31 December 2010

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

		A\$ mill
Revenue from ordinary activities	Down 1.4% to	\$376.9
Profit from ordinary activities after tax attributable to members	Down 13.4% to	\$121.2
Net profit for the period attributable to members	Down 13.4% to	\$121.2

#### DIVIDENDS

Since the end of the half-year Mount Gibson has declared an interim dividend on ordinary shares in respect of the 2012 financial year of 2.0 cents per share fully franked.

\$43,303,000 in dividends has been paid during the half year period ended 31 December 2011.

#### NET TANGIBLE ASSET BACKING

Consolidated Entity		2011	2010
Net tangible assets excluding Mine Properties	<i>\$ mill</i>	502.6	489.8
Fully paid ordinary shares on issue at Balance Date		1,082,570,693	1,082,570,693
Net tangible asset backing per issued ordinary share as at balance date (cents)	<i>c/share</i>	46.4	45.2

#### 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 2011 together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations under the Corporations Act 2001.



**MOUNT GIBSON IRON LIMITED  
AND CONTROLLED ENTITIES**

**ABN 87 008 670 817**

**FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2011**

# Financial Report

For the half-year ended 31 December 2011

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## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2011 for the Group incorporating Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson**") and the entities that it controlled during the half-year ("**Group**").

### 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.

Geoffrey Hill	<i>Non-Executive Chairman (appointed Chairman on 24 August 2011)</i>
Alan Jones	<i>Non-Executive Director</i>
Cao Zhong	<i>Non-Executive Director</i>
Chen Zhouping	<i>Non-Executive Director</i>
Lee Seng Hui	<i>Non-Executive Director</i>
Russell Barwick	<i>Non-Executive Director (appointed on 16 November 2011)</i>
Paul Douglas	<i>Non-Executive Director (appointed on 16 November 2011)</i>
Craig Readhead	<i>Non-Executive Chairman until 14 December 2011</i>
Luke Tonkin	<i>Managing Director until 16 December 2011</i>
Ian Macliver	<i>Non-Executive Director until 16 November 2011</i>
Alan Rule	<i>Alternate Director to Luke Tonkin until 16 December 2011</i>
Peter Curry	<i>Alternate Director to Lee Seng Hui</i>
Li Shaofeng	<i>Alternate Director to Cao Zhong (appointed on 7 November 2011)</i>

David Berg is the Company Secretary.

### CORPORATE INFORMATION

#### Corporate Structure

Mount Gibson 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 Group are:

- mining of hematite deposits at Talling Peak;
- mining of hematite deposits at Koolan Island;
- mining of hematite deposits at Extension Hill; and
- review and evaluation of growth opportunities in the resource sector.

# Mount Gibson Iron Limited

## 31 December 2011 Half-Year Financial Report

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The composition of Mount Gibson's Board has been in transition. Mr Hill became Chairman in August, Messers Barwick and Douglas appointed as non-executive directors in November, whilst Mr Readhead resigned in December and Mr Macliver retired in November as non-executive directors.

Following the departure of Luke Tonkin as managing director in December, the Chief Operating Officer, Mr Jim Beyer, was appointed as acting Chief Executive Officer.

On 18 October 2011 Mount Gibson announced that it has agreed settlement terms on behalf of its two operating subsidiaries with Rizhao Steel Holding Group Co Ltd ("**Rizhao Steel**") in relation to two arbitral awards delivered in Mount Gibson's favour in August 2010. Under the awards, which were delivered following arbitrations between the parties and announced to ASX on 17 August 2010, Rizhao Steel was ordered to pay Mount Gibson US\$114 million in damages plus interest of 6% from the date of award plus Mount Gibson's costs of the arbitration. The awards had remained wholly unmet. Mount Gibson has sought recognition and enforcement of the awards in various jurisdictions, including in the People's Republic of China. These efforts culminated in a settlement on terms favourable to Mount Gibson and its shareholders. Under the settlement, Rizhao Steel entered into two offtake agreements with Mount Gibson, the first of which is in respect of an agreed quantity of mineralised waste material from Koolan Island, and the second for Extension Hill hematite. Under the Koolan Island agreement, Rizhao will purchase 1,700,000 tonnes of mineralised waste material from Koolan Island over a two to three year period. In addition, Rizhao Steel has agreed to purchase 25% of annual production from Extension Hill at a market clearing price plus an agreed premium, over a period of 5 years. Rizhao Steel paid Mount Gibson a non-refundable deposit of US\$15 million.

The December quarter saw Extension Hill make significant progress on its plans to become a key contributor to the company's long term production profile. Two major milestones were achieved with the successful commissioning of the crushing and screening plant and the successful export of the first shipment at the Geraldton Port.

### DIVIDENDS

\$43,303,000 in dividends were declared and paid during the period.

On 9 February 2012, the Company declared an interim dividend on ordinary shares in respect of the 2012 financial year of 2.0 cents per share fully franked. The total amount of the dividend is \$21,651,414. The dividend has not been provided for in the 31 December 2011 financial statements.

### REVIEW AND RESULTS OF OPERATIONS

#### Operating Results for the Period

Summarised operating results for the Group for the half-year ended 31 December 2011 were:

	CONSOLIDATED	
	31 December 2011 \$'000	31 December 2010 \$'000
<b>Operating profit from Continuing Operations before tax</b>	<b>176,040</b>	<b>197,944</b>
Taxation expense	(54,840)	(57,966)
<b>Net profit after tax attributable to Members of the Company</b>	<b>121,200</b>	<b>139,978</b>

**Mount Gibson Iron Limited**  
**31 December 2011 Half-Year Financial Report**

**Tallering Peak Hematite Operations**

Tallering Peak had a disappointing production performance for the half-year with decreased material movement and tonnes sold 29.2% below the previous corresponding half-year. Overall performance was hampered by labour skills shortages in key production areas. This was further compounded by very tight working areas in advancing the cutback along with delays associated with pitwall areas requiring unplanned ground support. These near term operational issues impacted on achieving the planned mine extraction sequences and are being worked through with activities continuing to focus on minimizing the impacts as the site's performance returns to expected levels.

As at 31 December 2011, 1.88 million tonnes of iron ore was stockpiled.

<b>TALLERING PEAK PRODUCTION SUMMARY FOR 6 MONTHS</b>		<b>Unit</b>	<b>Sept Qtr 2011 '000</b>	<b>Dec Qtr 2011 '000</b>	<b>YTD 2011 '000</b>	<b>YTD 2010 '000</b>	<b>% incr / (decr)</b>
<b>Mining</b>							
- Waste Mined	<i>bcm</i>	1,658	1,341	<b>2,999</b>	<b>4,811</b>	<i>(37.7%)</i>	
- Ore Mined	<i>wmt</i>	694	546	<b>1,240</b>	<b>1,433</b>	<i>(13.4%)</i>	
<b>Crushing</b>							
- Lump	<i>wmt</i>	479	398	<b>877</b>	<b>872</b>	<i>0.5%</i>	
- Fines	<i>wmt</i>	329	266	<b>595</b>	<b>712</b>	<i>(16.4%)</i>	
<b>Total</b>	<i>wmt</i>	<b>808</b>	<b>664</b>	<b>1,472</b>	<b>1,584</b>	<i>(7.1%)</i>	
<b>Transport to Mullewa Railhead</b>							
- Lump	<i>wmt</i>	469	403	<b>872</b>	<b>828</b>	<i>5.4%</i>	
- Fines	<i>wmt</i>	327	230	<b>557</b>	<b>757</b>	<i>(26.4%)</i>	
<b>Total</b>	<i>wmt</i>	<b>796</b>	<b>633</b>	<b>1,429</b>	<b>1,585</b>	<i>(9.8%)</i>	
<b>Transport to Geraldton Port</b>							
- Lump	<i>wmt</i>	305	241	<b>546</b>	<b>716</b>	<i>(23.7%)</i>	
- Fines	<i>wmt</i>	369	114	<b>483</b>	<b>807</b>	<i>(40.1%)</i>	
<b>Total</b>	<i>wmt</i>	<b>674</b>	<b>355</b>	<b>1,029</b>	<b>1,523</b>	<i>(32.4%)</i>	
<b>Shipping</b>							
- Lump	<i>wmt</i>	351	240	<b>591</b>	<b>760</b>	<i>(22.2%)</i>	
- Fines	<i>wmt</i>	409	117	<b>526</b>	<b>817</b>	<i>(35.6%)</i>	
<b>Total</b>	<i>wmt</i>	<b>760</b>	<b>357</b>	<b>1,117</b>	<b>1,577</b>	<i>(29.2%)</i>	

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

<b>TALLERING PEAK</b>		<b>6 Months ended 31 Dec 2011</b>	<b>6 Months ended 30 June 2011</b>	<b>6 Months ended 31 Dec 2010</b>	<b>6 Months ended 30 June 2010</b>
Waste mined	<i>mill bcm</i>	3.00	3.37	4.81	4.53
Ore mined	<i>mill bcm</i>	0.30	0.27	0.34	0.46
Ore mined	<i>mill wmt</i>	1.24	1.17	1.43	1.95
Deferred waste capitalised	<i>\$ mill</i>	55.08	52.93	52.38	44.64
Amortisation of deferred waste	<i>\$ mill</i>	(59.75)	(36.13)	(47.71)	(61.98)



**Mount Gibson Iron Limited**  
**31 December 2011 Half-Year Financial Report**

**Koolan Island Hematite Operations**

Ore production for the half-year from Koolan Island was 16.6% below the corresponding period last year with total material movement 23% below the corresponding period last year.

Mount Gibson commenced owner mining at Koolan Island in the September quarter and, as anticipated, the transition impacted operational performance with the commencement of 240 new employees. The failure of an existing customer to furnish scheduled vessels early in the quarter prompted Mount Gibson to reduce activity at the site until an amicable agreement was negotiated between the customer and Mount Gibson. Mine production was further restricted by delays to scheduled equipment delivery. Scheduled digger and truck deliveries were substantially completed by December 2011 whilst a new 360 tonne digger will be delivered during the March 2012 quarter to further supplement material movement and allow the retirement of less productive high maintenance machines.

Rehabilitation of Main Pit is progressing whilst the seawall embankment is substantially complete with mining of the first Main Pit ore having commenced in the December quarter.

Koolan Island continued to source its primary ore from Mullet and Barramundi West pit which are now nearing completion.

Skilled labour availability continues to reflect the general shortage across the industry however the site has been able to make good progress with the implementation of some targeted changes to recruitment, in particular greater emphasis on employing local trainees and increasing training resources.

The wet season in the Kimberley region typically commences in November and persists through to April during which time monsoonal activity intensifies causing significant rainfall events and cyclonic events. Koolan Island's total material movement and shipping activity generally reduces during this period and is forecast to increase from April as weather improves.

As at 31 December 2011, 0.96 million tonnes of iron ore was stockpiled.

<b>KOOLAN PRODUCTION SUMMARY FOR 6 MONTHS</b>	<b>Unit</b>	<b>Sept Qtr 2011 '000</b>	<b>Dec Qtr 2011 '000</b>	<b>YTD 2011 '000</b>	<b>YTD 2010 '000</b>	<b>% incr / (decr)</b>
<b>Mining</b>						
- Waste mined	<i>bcm</i>	2,205	2,350	<b>4,555</b>	<b>5,537</b>	<i>(17.7%)</i>
- Ore mined	<i>wmt</i>	685	727	<b>1,412</b>	<b>1,694</b>	<i>(16.6%)</i>
<b>Crushing</b>						
- Lump	<i>wmt</i>	353	321	<b>674</b>	<b>585</b>	<i>15.2%</i>
- Fines	<i>wmt</i>	382	448	<b>830</b>	<b>754</b>	<i>10.1%</i>
<b>Total</b>		<b>735</b>	<b>769</b>	<b>1,504</b>	<b>1,339</b>	<i>12.3%</i>
<b>Shipping</b>						
- Lump	<i>wmt</i>	365	285	<b>650</b>	<b>573</b>	<i>13.44%</i>
- Fines	<i>wmt</i>	508	442	<b>950</b>	<b>1,093</b>	<i>(13.1%)</i>
<b>Total</b>		<b>873</b>	<b>727</b>	<b>1,600</b>	<b>1,666</b>	<i>(4.0%)</i>

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

<b>KOOLAN</b>		<b>6 Months ended 31 Dec 2011</b>	<b>6 Months ended 30 June 2011</b>	<b>6 Months ended 31 Dec 2010</b>	<b>6 Months ended 30 June 2010</b>
Waste mined	<i>mill bcm</i>	4.56	4.15	5.54	5.97
Ore mined	<i>mill bcm</i>	0.41	0.25	0.52	0.51
Ore mined	<i>mill wmt</i>	1.41	0.83	1.69	1.65
Deferred waste capitalised	<i>\$ mill</i>	111.81	100.74	91.53	85.93
Amortisation of deferred waste	<i>\$ mill</i>	(57.38)	(28.19)	(57.59)	(49.48)

**Mount Gibson Iron Limited**  
**31 December 2011 Half-Year Financial Report**

**Extension Hill Hematite Operations**

Located in the Mount Gibson Ranges, 85 kilometres east of Perenjori and 260 kilometres east south east of Geraldton, the Extension Hill hematite deposit has Ore Reserves of 14.3 million tonnes and Mineral Resources of 22.1 million tonnes. Extension Hill has very similar operational characteristics to Mount Gibson's Talling Peak operation with the added advantage of a lower strip ratio. Ore mined from Extension Hill is crushed and screened on site, transported by sealed road 85 kilometres to Perenjori and loaded onto rail wagons for a 235 kilometre journey to the Geraldton Port. Ore is stored at the Geraldton Port at Mount Gibson's ore storage facilities being constructed next to the new Berth 5 iron ore ship loading facility and loaded from Berth 5 for export. An upgrade of rail unloading facilities necessary to ensure greater utilisation of the latent capacity at the Geraldton Port is scheduled for completion by late March / early April 2012.

Mining operations commenced at Extension Hill in the March 2011 quarter, the crusher and site infrastructure was commissioned in October and the first shipment of ore from Extension Hill occurred in December 2011.

As at 31 December 2011, 0.99 million tonnes of iron ore was stockpiled.

<b>EXTENSION HILL PRODUCTION SUMMARY FOR 6 MONTHS</b>	<b>Unit</b>	<b>Sept Qtr 2011 '000</b>	<b>Dec Qtr 2011 '000</b>	<b>YTD 2011 '000</b>	<b>YTD 2010 '000</b>	<b>% incr / (decr)</b>
<b>Mining</b>						
- Waste Mined	<i>bcm</i>	226	265	<b>491</b>	-	<b>100%</b>
- Ore Mined	<i>wmt</i>	444	459	<b>903</b>	-	<b>100%</b>
<b>Crushing</b>						
- Lump	<i>wmt</i>	-	260	<b>260</b>	-	<b>100%</b>
- Fines	<i>wmt</i>	-	133	<b>133</b>	-	<b>100%</b>
<b>Total</b>	<i>wmt</i>	-	<b>393</b>	<b>393</b>	-	<b>100%</b>
<b>Transport to Perenjori Railhead</b>						
- Lump	<i>wmt</i>	-	154	<b>154</b>	-	<b>100%</b>
- Fines	<i>wmt</i>	-	62	<b>62</b>	-	<b>100%</b>
<b>Total</b>	<i>wmt</i>	-	<b>216</b>	<b>216</b>	-	<b>100%</b>
<b>Transport to Geraldton Port</b>						
- Lump	<i>wmt</i>	-	125	<b>125</b>	-	<b>100%</b>
- Fines	<i>wmt</i>	-	-	-	-	<b>100%</b>
<b>Total</b>	<i>wmt</i>	-	<b>125</b>	<b>125</b>	-	<b>100%</b>
<b>Shipping</b>						
- Lump	<i>wmt</i>	-	121	<b>121</b>	-	<b>100%</b>
- Fines	<i>wmt</i>	-	-	-	-	<b>100%</b>
<b>Total</b>	<i>wmt</i>	-	<b>121</b>	<b>121</b>	-	<b>100%</b>

Expenditure on waste development at Extension Hill during the half-year was as follows:

<b>EXTENSION HILL</b>		<b>6 Months ended 31 Dec 2011</b>	<b>6 Months ended 30 June 2011</b>	<b>6 Months ended 31 Dec 2010</b>	<b>6 Months ended 30 June 2010</b>
Waste mined	<i>mill bcm</i>	0.49	0.64	-	-
Ore mined	<i>mill bcm</i>	0.31	0.10	-	-
Ore mined	<i>mill wmt</i>	0.90	0.30	-	-
Deferred waste capitalised	<i>\$ mill</i>	13.16	13.30	-	-
Amortisation of deferred waste	<i>\$ mill</i>	(8.62)	(3.10)	-	-

**SIGNIFICANT EVENTS AFTER BALANCE DATE**

On 9 February 2012, the Company declared an interim dividend on ordinary shares in respect of the 2012 financial year of 2.0 cents per share fully franked. The total amount of the dividend is \$21,651,414. The dividend has not been provided for in the 31 December 2011 financial statements.

Other than as set out above, as at the date of this report, there are no significant events after balance date of the Group that require adjustment of or disclosure in this report.

**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**

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached independence declaration from the auditor of the Company on page 8 which forms part of this report.

Signed in accordance with a resolution of the Directors.

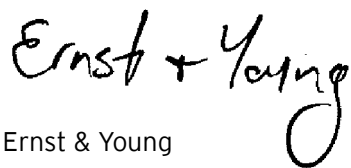


**Geoffrey Hill**  
**Chairman**

9 February 2012

## 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 2011, 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver' in a cursive style.

P McIver  
Partner  
Perth  
9 February 2012

## Consolidated Income Statement

For the half-year ended 31 December 2011

	Notes	31 December 2011 \$'000	31 December 2010 \$'000
<b>CONTINUING OPERATIONS</b>			
Sale of goods	3[a]	376,864	382,072
Other revenue	3[a]	11,187	10,455
<b>TOTAL REVENUE</b>		<b>388,051</b>	<b>392,527</b>
Cost of sales	3[d]	(194,881)	(189,941)
<b>GROSS PROFIT</b>		<b>193,170</b>	<b>202,586</b>
Other income	3[b]	(665)	50
Foreign exchange derivatives mark-to-market gain/(loss)		-	14,112
Administration expenses	3[e]	(12,205)	(10,272)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND FINANCE COSTS</b>		<b>180,300</b>	<b>206,476</b>
Finance costs	3[c]	(4,260)	(8,532)
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>176,040</b>	<b>197,944</b>
Income tax (expense)		(54,840)	(57,966)
<b>NET PROFIT FOR THE PERIOD AFTER INCOME TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>121,200</b>	<b>139,978</b>

**Earnings per share for profit attributable to the ordinary equity holders of the Parent:**

- basic earnings per share
- diluted earnings per share

Cents per share	Cents per share
11.39	12.95
11.39	12.94

## Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2011

	31 December 2011 \$'000	31 December 2010 \$'000
<b>NET PROFIT FOR THE PERIOD AFTER INCOME TAX</b>	<b>121,200</b>	<b>139,978</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in fair value of cash flow hedges	309	(4,695)
Transferred to revenue in Income Statement	1,819	8,912
Deferred income tax on cash flow hedges	2,221	(1,723)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>4,349</b>	<b>2,494</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>125,549</b>	<b>142,472</b>

## Consolidated Balance Sheet

As at 31 December 2011

	Notes	31 December 2011 \$'000	30 June 2011 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	79,399	117,007
Term deposits	5	342,000	270,000
Trade and other receivables		18,667	22,249
Inventories		198,926	160,358
Prepayments		7,001	3,210
Derivatives		3,511	386
<b>TOTAL CURRENT ASSETS</b>		<b>649,504</b>	<b>573,210</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		293,006	246,695
Deferred acquisition, exploration, evaluation and development costs		315	309
Mine properties		776,358	736,859
Deferred income tax assets		6,633	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,076,312</b>	<b>983,863</b>
<b>TOTAL ASSETS</b>		<b>1,725,816</b>	<b>1,557,073</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		97,560	99,556
Unearned Revenue	10	14,426	-
Interest-bearing loans and borrowings	6	31,477	28,607
Derivative financial liabilities		-	63
Income tax payable		43,614	22,793
Provisions		5,036	4,348
<b>TOTAL CURRENT LIABILITIES</b>		<b>192,113</b>	<b>155,367</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		24,846	24,228
Interest-bearing loans and borrowings	6	27,405	16,461
Deferred income tax liabilities		232,908	194,476
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>285,159</b>	<b>235,165</b>
<b>TOTAL LIABILITIES</b>		<b>477,272</b>	<b>390,532</b>
<b>NET ASSETS</b>		<b>1,248,544</b>	<b>1,166,541</b>
<b>EQUITY</b>			
Issued capital	7	561,585	561,585
Retained earnings		663,615	585,718
Reserves		23,344	19,238
<b>TOTAL EQUITY</b>		<b>1,248,544</b>	<b>1,166,541</b>

## Consolidated Statement of Cash Flows

For the half-year ended 31 December 2011

	Notes	31 December 2011 \$'000	31 December 2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		372,757	389,854
Payments to suppliers and employees		(249,548)	(223,162)
Interest paid		(53)	(7,128)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>123,156</b>	<b>159,564</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		10,153	8,966
Proceeds from sale of property, plant and equipment		505	-
Purchase of property, plant and equipment		(4,359)	(3,717)
Payment for term deposits		(72,000)	(142,000)
Payment for deferred exploration, evaluation and development expenditure		3	(34,586)
Payment for mine development		(43,853)	(11,797)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(109,551)</b>	<b>(183,134)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		-	2,700
Proceeds from borrowings		7,004	-
Repayment of lease liabilities		(12,714)	(8,168)
Repayment of borrowings		(1,401)	(50,000)
Borrowing costs		(799)	(455)
Dividends paid		(43,303)	-
<b>NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(51,213)</b>	<b>(55,923)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(37,608)	(79,493)
Cash and cash equivalents at beginning of period		117,007	247,404
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5[a]	<b>79,399</b>	<b>167,911</b>

As set out on the Consolidated Balance Sheet, the Group had in addition to the cash and cash equivalents above, \$342,000,000 in Term Deposits at 31 December 2011 (31 December 2010: \$242,000,000).



## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2011

<i>Attributable to Equity Holders of the Parent</i>						
	Issued Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Net Unrealised Gains / (Losses) Reserve \$'000	Consolidation Reserve \$'000	Total Equity \$'000
<b>At 1 July 2010</b>	<b>559,207</b>	<b>346,218</b>	<b>18,569</b>	<b>6,106</b>	<b>(3,192)</b>	<b>926,908</b>
Profit for the period	-	139,978	-	-	-	139,978
Other comprehensive income	-	-	-	2,494	-	2,494
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>139,978</b>	<b>-</b>	<b>2,494</b>	<b>-</b>	<b>142,472</b>
Transactions with owners in their capacity as owners						
- Exercise of options	2,700	-	-	-	-	2,700
- Deferred income tax on capital raising costs	(161)	-	-	-	-	(161)
- Share based payments	-	-	176	-	-	176
<b>At 31 December 2010</b>	<b>561,746</b>	<b>486,196</b>	<b>18,745</b>	<b>8,600</b>	<b>(3,192)</b>	<b>1,072,095</b>
<b>At 1 July 2011</b>	<b>561,585</b>	<b>585,718</b>	<b>18,991</b>	<b>3,439</b>	<b>(3,192)</b>	<b>1,166,541</b>
Profit for the period	-	121,200	-	-	-	121,200
Other comprehensive income	-	-	-	4,349	-	4,349
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>121,200</b>	<b>-</b>	<b>4,349</b>	<b>-</b>	<b>125,549</b>
Transactions with owners in their capacity as owners						
- Share based payments / (reversing on forfeiture)	-	-	(243)	-	-	(243)
- Dividends paid	-	(43,303)	-	-	-	(43,303)
<b>At 31 December 2011</b>	<b>561,585</b>	<b>663,615</b>	<b>18,748</b>	<b>7,788</b>	<b>(3,192)</b>	<b>1,248,544</b>

## Notes to the Half-Year Financial Report

For the half-year ended 31 December 2011

### 1. CORPORATE INFORMATION

The financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 9 February 2012.

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

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

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2011. 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 2011 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Stock Exchange Listing Rules;
- except as disclosed below, has been prepared using the same accounting policies as used in the Annual Financial Report of the Company for the year ended 30 June 2011;
- 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; and
- 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) Changes in accounting policies

The Group did not early adopt any Australian Accounting Standards that are not yet mandatory.

From 1 July 2011 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2011, including:

- *AASB 124 Related Party Transactions (amendment)* The amended standard clarifies the definitions of a related party. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government entity as the reporting entity. The amendment has no impact.
- *AASB 132 Financial Instruments: Presentation (amendment)* The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment has no impact.
- *AASB 3 Business Combinations (amendment)* The measurement options available for non-controlling interest (NCI) have been amended. The amendment has no impact.
- *AASB 7 Financial Instruments – Disclosures (amendment)* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information into context. The amendment has no impact.
- *AASB 101 Presentation of Financial Statements (amendment)* The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The amendment has no impact.
- *AASB 134 Interim Financial Statements (amendment)* The amendment requires additional information for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

## Notes to the Half-Year Financial Report (continued)

	31 December 2011 \$'000	31 December 2010 \$'000
<b>3. REVENUE AND EXPENSES</b>		
<b>[a] Revenue</b>		
Sale of ore	375,045	373,160
Realised gain on foreign exchange hedges	1,819	8,912
	<u>376,864</u>	<u>382,072</u>
<b>Other revenue</b>		
Interest income	11,187	10,455
<b>[b] Other income</b>		
Net realised gain on foreign exchange	-	27
Gain on sale of property, plant and equipment	(718)	-
Other income	53	23
	<u>(665)</u>	<u>50</u>
<b>[c] Finance costs</b>		
Finance charges on loans	1,640	6,284
Finance charges payable under finance leases	2,127	1,870
	<u>3,767</u>	<u>8,154</u>
Unwinding of discount on rehabilitation provision	493	378
	<u>4,260</u>	<u>8,532</u>
<b>[d] Cost of Sales</b>		
Mining costs	184,785	143,452
Mining depreciation	14,469	10,857
Mining waste costs deferred	(180,055)	(143,905)
Amortisation of mining waste costs deferred	125,757	105,296
Amortisation of other mine properties	10,412	10,595
Preproduction expenditure capitalised	(1,208)	(2,450)
Crushing costs	13,633	11,115
Transport costs	20,837	19,074
Port costs	6,891	8,833
Royalties	27,999	27,015
Depreciation	4,951	4,281
Net ore inventory movement	(33,590)	(4,222)
	<u>194,881</u>	<u>189,941</u>
<b>[e] Administration Expenses include:</b>		
Depreciation	212	156
Share-based payments expense	(243)	176
Exploration and evaluation costs written off	3	(13)
Realised loss on foreign exchange	182	-
Net unrealised loss on foreign exchange	244	154
<b>[f] Cost of Sales &amp; Administration expenses include:</b>		
Salaries, wages expense and other employee benefits	41,559	25,149
Operating lease rental – minimum lease payments	15,048	9,352

## Notes to the Half-Year Financial Report (continued)

### 4. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and his management team in assessing performance and in determining the allocation of resources.

The reportable segments are based on aggregated operating segments determined by the similarity of activity type, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group's reportable segments are in the area of iron ore mining and processing in Western Australia. Each area of operation has been aggregated and therefore the operations of the Group present one operating segment under *AASB 8 Operating Segments*.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the interim financial report.

31 December 2011 \$'000	30 June 2011 \$'000
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### 5. CASH AND CASH EQUIVALENTS

#### [a] Reconciliation of cash

Cash at bank and in hand	48,379	21,911
Short-term deposits	31,020	95,096
	<b>79,399</b>	<b>117,007</b>

As set out on the Consolidated Balance Sheet, the Group had in addition to the cash and cash equivalents above, \$342,000,000 in Term Deposits at 31 December 2011 (31 December 2010: \$242,000,000).

#### [b] Non-cash financing activities

During the period ended 31 December 2011, the Group acquired property, plant and equipment with an aggregate fair value of \$24,927,254 (2010: \$2,808,354) by means of finance leases and hire purchase agreements.

## Notes to the Half-Year Financial Report (continued)

	Notes	31 December 2011 \$'000	30 June 2011 \$'000
<b>6. INTEREST-BEARING LOANS AND BORROWINGS</b>			
<b>Current</b>			
Lease liability	[a]	1,229	2,231
Hire purchase facility	[b]	30,248	26,376
		<b>31,477</b>	<b>28,607</b>
<b>Non-Current</b>			
Lease liability	[a]	2,337	2,965
Hire purchase facility	[b]	25,068	13,496
		<b>27,405</b>	<b>16,461</b>
<b>Financing facilities available</b>			
At reporting date, the following financing facilities had been negotiated and were available:			
<b>Total facilities:</b>			
• Finance leases	[a]	3,566	5,196
• Hire purchase facility	[b]	55,316	39,872
• Contingent Instrument facility	[c]	65,000	65,000
• Corporate Debt	[c]	50,000	50,000
		<b>173,882</b>	<b>160,068</b>
<b>Facilities used at reporting date:</b>			
• Finance leases	[a]	3,566	5,196
• Hire purchase facility	[b]	55,316	39,872
• Contingent Instrument facility	[c]	57,793	55,082
• Corporate Debt	[c]	-	-
		<b>116,675</b>	<b>100,150</b>
<b>Facilities unused at reporting date:</b>			
• Finance leases		-	-
• Hire purchase facility		-	-
• Contingent Instrument facility		7,207	9,918
• Corporate Debt		50,000	50,000
		<b>57,207</b>	<b>59,918</b>

## Notes to the Half-Year Financial Report (continued)

Terms and conditions relating to the above financial facilities:

[a] **Finance Lease Facility**

Finance leases are repayable monthly with final instalments due in January 2013. Interest is charged at an average rate of 8.93%. Secured by first mortgage over the leased assets.

[b] **Hire Purchase Facility**

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 February 2015. Interest is charged at an average rate of 7.59%. 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 both A\$ and US\$ for Komatsu and A\$ for NAB.

[c] **Corporate Debt and Contingent Instrument Facility**

On 9 May 2011 the Company entered into a Facility Agreement for a \$115,000,000 finance facility which expires on 30 June 2014 consisting of:

- Senior debt facility of \$50,000,000 repayable as follows:
  - \$25,000,000 on 31 December 2013; and
  - \$25,000,000 on 30 June 2014.
- Contingent Instrument facility of \$65,000,000 (including guarantees, performance bonds).

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	31 December 2011 \$'000	30 June 2011 \$'000
<b>7. ISSUED CAPITAL</b>		
<b>[a] Ordinary shares</b>		
Issued and full paid	561,585	561,585
	<b>31 December 2011</b>	
	<b>Number of Shares</b>	<b>\$'000</b>
<b>[b] Movement in ordinary shares on issue</b>		
Beginning of the half-year	1,082,570,693	561,585
End of the half- year	1,082,570,693	561,585

### [c] Share options

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

Exercise Price	Exercise Date/Period	31 December 2011 Number	30 June 2011 Number
110 cents	On or before 23 October 2012	2,000,000	2,000,000
		<b>2,000,000</b>	<b>2,000,000</b>

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

### [d] Performance rights

The Company has established the Mount Gibson Iron Limited Performance Rights Plan. Rights issued under the Plan are granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return measured against the TSR of a comparator group of companies over the same period.

During the 6 month period to 31 December 2011, no performance rights were issued.

As at 31 December 2011 there were 313,433 performance rights on issue (2010: 801,482).

## 8. DIVIDENDS PAID AND PROPOSED

\$43,303,000 in dividends were declared and paid during the period.

On 9 February 2012, the Company declared an interim dividend on ordinary shares in respect of the 2012 financial year of 2.0 cents per share fully franked. The total amount of the dividend is \$21,651,414. The dividend has not been provided for in the 31 December 2011 financial statements.

## Notes to the Half-Year Financial Report (continued)

### 9. FOREIGN EXCHANGE HEDGING

The Group is exposed to the risk of adverse movement in the A\$ compared to the US\$ as its iron ore sales receipts are denominated in US\$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US\$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the US\$/A\$ exchange rate and to protect against adverse movements in these rates. In addition, the majority of the hire purchase liabilities for the mining equipment at Koolan Island are denominated in US\$. The Group recognises derivative financial instruments at fair value at the date the derivative contract is entered into. The Group applies hedge accounting to forward foreign currency contracts and collar option contracts and US\$ finance leases that meet the criteria for cash flow hedges.

During the 6 month period to 31 December 2011 the Group delivered into US dollar foreign exchange forward contracts totalling US\$115,000,000 at a weighted average A\$ rate of 1.0335.

At 31 December 2011 the foreign exchange hedge book totalling US\$125,000,000 is made up exclusively of forward exchange contracts with maturity dates due in the 6 months ending 30 June 2012.

The hire purchase liabilities for the mining equipment at Koolan are denominated in US\$. This non-derivative liability has been designated as a hedging instrument in a cash flow hedge to manage foreign exchange risk on highly probable US\$ denominated sales with effect from 1 November 2009.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

### 10. UNEARNED REVENUE

During the period the Group settled legal proceedings with Rizhao. The terms of the settlement included the payment of a non-refundable deposit of US\$15 million for the sale of the Group's mineralised waste stockpiles and Extension Hill ore. Under the settlement, Rizhao entered into two offtake agreements with Mount Gibson, the first of which is in respect of mineralised waste material from Koolan Island, and the second for Extension Hill hematite. Under the Koolan Island agreement, Rizhao will purchase 1,700,000 tonnes of mineralised waste material from Koolan Island over a two to three year period. In addition, Rizhao has agreed to purchase 25% of annual production from Extension Hill at a market clearing price plus an agreed premium, over a period of 5 years. The non-refundable deposit will be recognised as revenue over the life of each contract at the rate of \$2-75 per tonne delivered to Rizhao.

### 11. EVENTS AFTER THE BALANCE SHEET DATE

On 9 February 2012, the Company declared an interim dividend on ordinary shares in respect of the 2012 financial year of 2.0 cents per share fully franked. The total amount of the dividend is \$21,651,414. The dividend has not been provided for in the 31 December 2011 financial statements.

Other than as set out above, as at the date of this report, there are no significant events after balance date of the Group that require adjustment of or disclosure in this report.

### 12. COMMITMENTS

At 31 December 2011 the Group has commitments of:

- \$13,197,580 (31 December 2010: \$7,595,000) relating to operating leases for the provision of mobile fleet equipment and office rental;
- \$53,340,808 (31 December 2010: \$46,196,000) under finance leases and hire purchase liabilities which have been recognised in the Statement of Financial Position;
- \$Nil (31 December 2010: \$1,948,000) in relation to performance bonds to be issued progressively by 30 June 2011 pursuant to the Extension Hill rail contracts; and
- \$5,686,017 (31 December 2010: \$nil) relating to contractual commitments to purchase property, plant and equipment relating to the construction and development of the new rail unloader at the Geraldton Port.



## Notes to the Half-Year Financial Report (continued)

### 13. CONTINGENCIES

1. The Corporate Debt bank has provided the Group with performance bonds totalling \$57,793,222. (30 June 2011: \$55,082,222). The performance bonds relate to performance of environmental obligations and rail upgrades.
2. Legal proceedings have been initiated against Mount Gibson Mining Limited ("**MGM**") by a contractor in relation to a contract for the design and construction of the crusher at Extension Hill. The contractor is seeking orders that MGM pay it the sum of \$6,896,545 on a quantum meruit basis or alternatively as damages for breach of contract, plus interest accruing from 2 September 2008 until judgment plus costs. MGM denies the claim. The matter was heard in the Supreme Court of Western Australia in November 2011 and MGM expects the judgement to be handed down in the March 2012 quarter.
3. Legal proceedings have been initiated against MGM by a contractor in relation to the contract for the realignment of the Great Northern Highway at Extension Hill. The contractor is seeking that MGM pay it the disputed sum of either \$2,765,933 or \$4,773,670 (plus interest and costs) for breach of contract. MGM denies the claim and will vigorously defend it.
4. Legal proceedings have been initiated against MGM by a contractor in relation to the contract for the upgrade of the road between Perenjori and Extension Hill. The contractor is seeking that MGM pay it the disputed sum of \$5,640,485 (plus interest and costs) MGM denies this claim and will vigorously defend it.
5. Legal proceedings have been initiated against Koolan Iron Ore Pty Ltd ("**Koolan**") by a former mining contractor in respect of a claim for payment under the contract. The contractor is seeking that Koolan pay it the disputed sum of \$1,077,356 (plus interest and costs). Koolan denies this claim and will vigorously defend it.

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

### 14. MINERALS RESOURCE RENT TAX

On 23 November 2011, the Minerals Resource Rent Tax ("**MRRT**") and extended Petroleum Resources Rent Tax Bills were passed by the House of Representatives.

The MRRT will apply to certain profits from the extraction of iron ore and coal (and certain related products) in Australia from 1 July 2012.

The passage of the Bills was dependant on negotiations with the Independents to secure support for the passage of the legislation. The Greens also agreed to pass the Bills through the lower house but have reserved their position on the mining tax and related bills in the Senate. For the short term at least, the Bills have been referred to the Senate Economics Legislation Committee for enquiry and report by 14 March 2012.

However, before the commencement of the MRRT, Mount Gibson is undertaking a number of key actions to ensure it is MRRT ready, including:

- On a project-by-project basis, conduct valuations and modelling to determine the impact of the MRRT on financial results.
- An assessment of the financial statement impact (including profits, balance sheet effect and cash-flows) to comply with financial reporting obligations when the Bills are passed by the Senate and thereby substantively enacted.
- The development of a strategy for complying with the requirements of the tax from 1 July 2012.

Initial modelling completed based on current facts show a negligible impact to Mount Gibson's current operations.

## 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 Group are in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the Group; 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.



**Geoffrey Hill**  
Chairman

9 February 2012

To the members of Mount Gibson Iron Limited

## Report on the 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 2011, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2011 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*. 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 half-year financial report of Mount Gibson Iron Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver' in a cursive style.

P McIver  
Partner  
Perth  
9 February 2012