

# QUARTERLY REPORT



## MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2012

### HIGHLIGHTS

#### OPERATIONS

- June quarter shipments of 1.16 million tonnes compared to 0.96 million tonnes in the prior corresponding period
- Total shipments of 5.2 million tonnes for the year ended 30 June 2012 compared to 5.2 million tonnes in FY2011
- 6.9 million tonnes of ore mined and crushed in FY2012 compared to 5.7 million tonnes in FY2011
- Significant increase in Koolan Island production following end of wet season
- Geraldton port and rail facilities upgrade completed in May
- Commissioning underway to achieve targeted Mid West export capacity of 6Mtpa
- Extension Hill mine production curtailed by rail constraints
- Tallering Peak ore production increased significantly
- Drilling commenced at T1 prospect at Tallering Peak
- Evaluation of Mid West exploration opportunities underway

#### CORPORATE

- Jim Beyer appointed Chief Executive Officer
- Peter Kerr announced as new Chief Financial Officer\*
- Corporate governance practices enhanced

\* announced subsequent to the end of the quarter on 4 July 2012

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## OPERATIONS

Total tonnes of ore mined and crushed in the June quarter rose 40% to 2.08 million tonnes, compared to 1.49 million tonnes in the preceding quarter.

Total ore tonnes mined and crushed for the year ended 30 June 2012 increased 21% to 6.9 million tonnes compared to 5.7 million tonnes in FY2011. The increase reflected the commencement and ramp-up of the Extension Hill mine from late 2011, the transition to mining at Main Pit at Koolan Island, and return to normal ore production rates at Tallering Peak in the June quarter.

Mount Gibson shipped a total of 1.16 million tonnes during the June quarter, compared to 0.96 million tonnes in the prior corresponding period in 2011, and 1.22 million tonnes shipped in the March quarter 2012. June quarter shipments continued to be affected by capacity constraints in the Mid West. Koolan Island exports were impacted by late customer nomination of vessels for four shipments that were scheduled to occur in June. These were rescheduled to arrive in July. Two of the shipments have since been made and the remainder are expected to be made up during the current quarter.

Shipments for the year ended 30 June 2012 totalled 5.2 million tonnes, consistent with the 5.2 million tonnes shipped in FY2011.

The realised average price, normalised for Mount Gibson fines grading 60% Fe, during the June quarter was US\$118 per dry metric tonne Free on Board (FOB). The Platts average CFR price (where the iron ore supplier pays freight costs) for the June quarter was US\$141/dmt for 62% Fe fines delivered to China. Comparative FOB and CFR prices for the past four quarters are indicated in the following table:

		Sep-11 Quarter	Dec-11 Quarter	Mar-12 Quarter	Jun-12 Quarter
Platts 62% Fe Fines CFR average price	US\$/dmt	177	142	143	141
MGX 60% Fe Fines FOB average realised price	US\$/dmt	150	115	114	118

### ***Koolan Island***

June quarter ore production of 965,000 tonnes was 110% higher, and crushing of 981,000 tonnes was 44% higher than in the previous quarter. This reflected the transition to the dry season with mild weather conditions and no substantial rainfall during the period.

Ore production for the year ended 30 June 2012 totalled 2.96 million tonnes, 17% higher than in the previous year, while tonnes crushed totalled 3.16 million tonnes, 37% more than in the preceding year.

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Shipments for the year ended 30 June 2012 totaled 2.84 million tonnes, an increase of 18% compared to the previous financial year.

For the reasons outlined above, June quarter ore shipments were 513,000 tonnes. This is 73% higher than in the prior corresponding period of 2011, but 40% below the March quarter.

Dewatering of Mullet Pit advanced satisfactorily and ore production resumed. Barramundi Pit also dried out and the ore remaining from 2011 was recovered. Mining of this pit is now completed. Mining of the Main Pit continued at a satisfactory rate as did pumping.

During the quarter the water level in the Main Pit dropped to the level at which footwall ground support operations can resume. Arrangements are being made to re-commence ground support in the current September quarter.

The Main Pit Seawall was formally handed over to Mount Gibson during the quarter. Additional monitoring equipment was installed and to date the seawall has performed according to design. A final topping of clay will be installed shortly to complete all works.

Work also continued on the new workshop/office complex during the period.

Koolan Island production for the year ended 30 June 2012 is detailed in the following table:

			Sept-11	Dec-11	Mar-12	Jun-12	Total
			Qtr	Qtr	Qtr	Qtr	2011-12
			000's	000's	000's	000's	000's
<b>Mining</b>	Waste Mined	bcm	2,205	2,350	1,689	2,160	<b>8,404</b>
	Ore Mined	wmt	685	726	583	965	<b>2,959</b>
<b>Crushing</b>	Lump	wmt	353	321	249	329	<b>1,252</b>
	Fines	wmt	382	448	430	652	<b>1,912</b>
	<b>Total</b>	wmt	735	769	679	981	<b>3,164</b>
<b>Shipping</b>	Lump	wmt	365	285	219	143	<b>1,012</b>
	Fines	wmt	508	442	511	370	<b>1,831</b>
	<b>Total</b>	wmt	873	727	730	513	<b>2,843</b>

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*Figure 1 - Main Pit in June 2012, looking West.*



*Figure 2 – Mining in Main Pit, looking West.*

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## **Mid West Operations**

The June quarter was one of significant transition for Mount Gibson's operations in the Mid West during which the foundation stones were laid for a substantial increase in production and sales in the 2012-13 financial year.

A key milestone was achieved with the completion of a major upgrade of the Company's port and rail facilities at Geraldton Port, as announced by Mount Gibson on 22 May. While the bulk of the construction work, and associated one-off delays, has been completed, ramp up activities are still ongoing.

As expected the significant downtime associated with the commissioning shutdown, together with continuing constraints related to upgrades of rail infrastructure for other mining projects in the region, continued to impact exports by Mount Gibson during the quarter.

In summary:

- Port operations were suspended for three weeks from the start of May in order to tie-in the new rail unloader to both the new Berth 5 and Berth 4 storage facilities and complete all necessary pre-commissioning activities. As reported previously, the suspension was scheduled to coincide with a major maintenance shutdown by the Geraldton Port Authority.
- Rail load-out rates have steadily improved since the start of commissioning, and Mount Gibson expects to be able to achieve nameplate unloading capacity of 3,000 tonnes per hour on a sustainable basis during the quarter.
- Ongoing rail constraints restricted the transport of ore from the Extension Hill and Talling Peak mines. The resulting build-up of minesite stockpiles and at the Mullewa and Perenjori rail sidings in turn constrained mine production at Extension Hill.
- These rail constraints are anticipated to reduce in the September quarter, and Mount Gibson expects its increased unloading and storage capacity at Geraldton Port to facilitate a strong lift in export volumes from its Mid West operations during the current quarter.

The upgrade integrates a new dual-wagon common user rail unloader with Mount Gibson's new Berth 5 Storage Facility, which has an ore storage capacity of 240,000 tonnes, and with the Company's existing 120,000 tonne Berth 4 Storage Facility.

Once full ramp up has been achieved, the upgrade will effectively double the Company's nominal export capacity in the Mid West to approximately 6 million tonnes per annum. Full ramp-up is expected to be achieved over the coming quarter.

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*Figure 3– The new train unloader receives its first train.*



*Figure 4– The new unloader in action.*

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## Extension Hill Hematite Mine

As indicated earlier in this report, work for port and rail upgrades at Geraldton continued to restrict railing capacity, in turn constraining mining as available space for stockpiles was utilised. Consequently, ore production was 6% lower, and crushing was 17% lower than in the previous quarter.

At the end of June, there was a total of 435,000 tonnes of high and medium grade ore stockpiled, ready for crushing. Crushing was constrained by less than budgeted shipping and the filling of stockpiles at the rail siding at Perenjori.

As a result of these constraints, road haulage from Extension Hill to Perenjori reduced from 687,000 tonnes in the March quarter to 535,000 tonnes in the June quarter. Railing reduced from 413,000 tonnes to 306,000 tonnes in the period.

However, significant improvement is anticipated as improved rail availability enables the drawdown and shipment of ore now in stockpiles.

Extension Hill production for the year ended June 2012 is detailed in the following table:

			Sept -11 Qtr 000's	Dec-11 Qtr 000's	Mar-12 Qtr 000's	Jun-12 Qtr 000's	Total 2011-12 000's
<b>Mining</b>	Waste Mined	bcm	226	265	363	509	<b>1,363</b>
	Ore Mined	wmt	444	459	748	717	<b>2,368</b>
<b>Crushing</b>	Lump	wmt	0	260	431	342	<b>1,033</b>
	Fines	wmt	0	133	252	228	<b>613</b>
	<b>Total</b>	wmt	0	393	683	570	<b>1,646</b>
<b>Transport to Perenjori Railhead</b>							
	Lump	wmt	0	154	429	336	<b>919</b>
	Fines	wmt	0	62	258	199	<b>519</b>
	<b>Total</b>	wmt	0	216	687	535	<b>1,438</b>
<b>Transport to Geraldton Port</b>							
	Lump (Rail)	wmt	0	125	192	167	<b>484</b>
	Lump (Road)	wmt	0	0	62	0	<b>62</b>
	Fines (Rail)	wmt	0	0	159	139	<b>298</b>
	<b>Total</b>	wmt	0	125	413	306	<b>844</b>
<b>Shipping</b>	Lump	wmt	0	121	184	234	<b>539</b>
	Fines	wmt	0	0	122	114	<b>236</b>
	<b>Total</b>	wmt	0	121	306	348	<b>775</b>

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*Figure 5 – Mining at Extension Hill in June, showing ore stockpiles in the background.*

## **Tallering Peak**

Total material movement for the quarter was below the levels in the previous quarter due to pit development works, slip restraints, restricted work areas as development focused on the western end of the pit and periods of heavy rainfall.

Ore production for the quarter was significantly higher than in the previous quarter due to the advancement of the western end of the pit. This reflected the extensive waste development completed in the March quarter to rebalance ore development and production.

Monitoring of the southern pit wall continued during the quarter with additional ground support installed in areas identified by site personnel and geotechnical consultants. The evaluation of the February 2012 wall slip (reported in the March quarterly) and the potential impacts and recommendations is almost complete. At this point it is not expected to have any material impact on 2012 or the current reported mine life. It is expected this evaluation will be finalised and detailed in Mount Gibson's full year results report.

Crusher throughput, road haulage and rail haulage were significantly higher than the previous quarter as a result of the revised mining and shipping schedule focusing on increased ore production following improved access during the previous quarter.



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During the quarter, a total of two lump and three fine shipments from Talling Peak departed Geraldton.

As indicated previously, Mount Gibson expects to complete mining of remaining reserves at Talling Peak in mid 2013, with sales from stockpiles expected to continue into 2014.

Exploration has commenced at the T1 prospect to determine the potential for a small addition to existing Talling Peak resources. Drilling at T1 commenced in June and is discussed in greater detail in the Exploration section of this report.

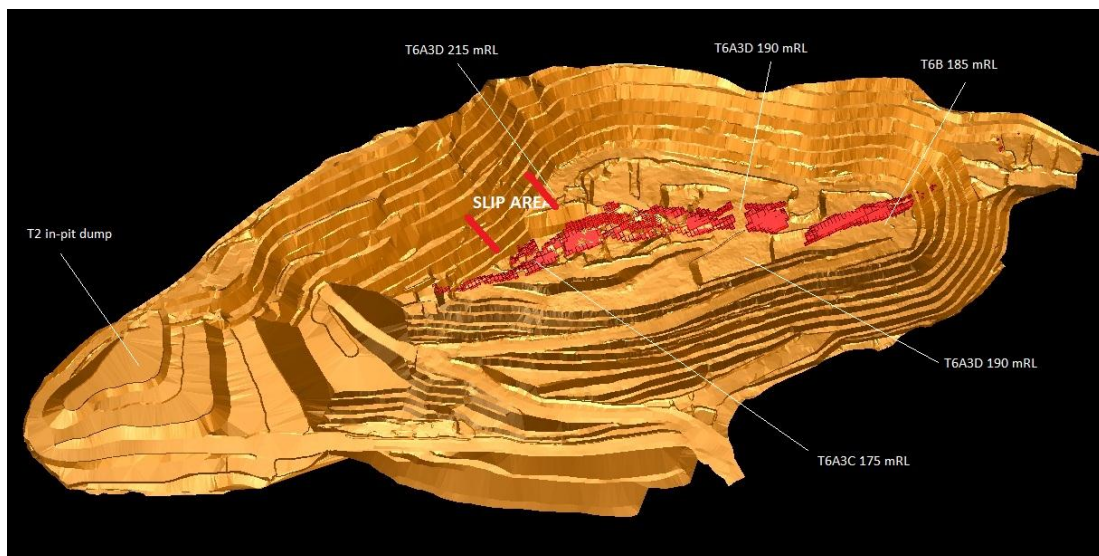
Talling Peak production for the year ended 30 June 2012 is detailed in the following table:

			Sept-11	Dec-11	Mar-12	Jun-12	Total
			Qtr	Qtr	Qtr	Qtr	2011-12
			000's	000's	000's	000's	000's
<b>Mining</b>							
	Waste Mined	bcm	1,658	1,341	1,543	1,231	<b>5,773</b>
	Ore Mined	wmt	694	546	177	532	<b>1,949</b>
<b>Crushing</b>							
	Lump	wmt	479	398	83	206	<b>1,166</b>
	Fines	wmt	329	266	53	319	<b>967</b>
	<b>Total</b>	wmt	<b>808</b>	<b>664</b>	<b>136</b>	<b>525</b>	<b>2,133</b>
<b>Transport to Mullewa Railhead</b>							
	Lump	wmt	469	403	68	388	<b>1,328</b>
	Fines	wmt	327	230	60	222	<b>839</b>
	<b>Total</b>		<b>796</b>	<b>633</b>	<b>128</b>	<b>610</b>	<b>2,167</b>
<b>Transport to Geraldton Port</b>							
	Lump	wmt	305	241	133	201	<b>880</b>
	Fines	wmt	369	114	54	200	<b>737</b>
	<b>Total</b>		<b>674</b>	<b>355</b>	<b>187</b>	<b>401</b>	<b>1,617</b>
<b>Shipping</b>							
	Lump	wmt	351	240	121	119	<b>831</b>
	Fines	wmt	409	117	59	178	<b>763</b>
	<b>Total</b>	wmt	<b>760</b>	<b>357</b>	<b>180</b>	<b>297</b>	<b>1,594</b>

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*Figure 6 - Main Range pit at the end of June 2012.*



*Figure 7 - Main Range pit looking west from the T2 backfill waste dump at the end of June 2012.*

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## EXPLORATION

### Koolan Island

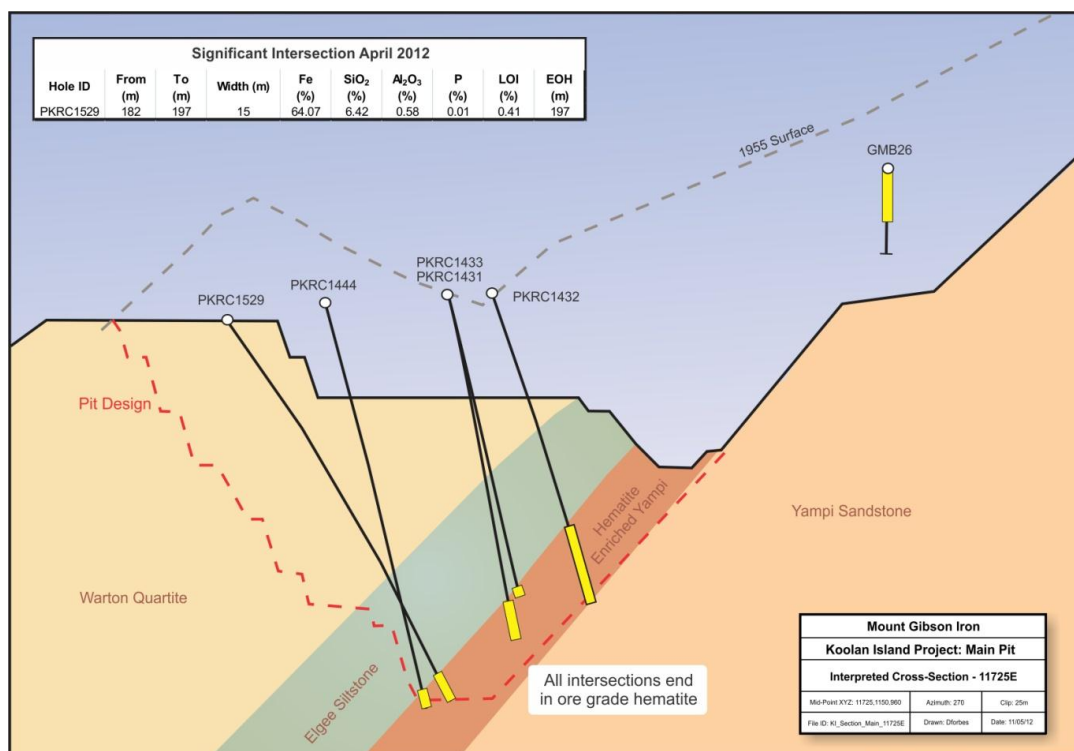
#### Main Pit

Activity for the quarter included completion of a 30 hole resource infill and geotechnical drilling program in the Arbitration Cove area of the Main Pit using diamond and RC (Reverse Circulation) drill methods.

Three RC drill holes were completed in April 2012, and six diamond drill holes completed in April and May 2012.

Assay results have been received for the RC holes completed with all encountering significant mineralisation (>55% Fe), as indicated in *Table 1* on the following page.

Drilling has confirmed the geometry of the Main Pit mineralised zone continues at depth within the planned pit design, as indicated in Figure 8 below. Core from the diamond drilling program is undergoing geotechnical assessment.



*Figure 8 - Cross section through Main Pit. PKRC1529 was completed in April 2012.*

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**Table 1: Significant intercepts (>55% Fe) from RC drilling at Arbitration Cove in Main Pit**

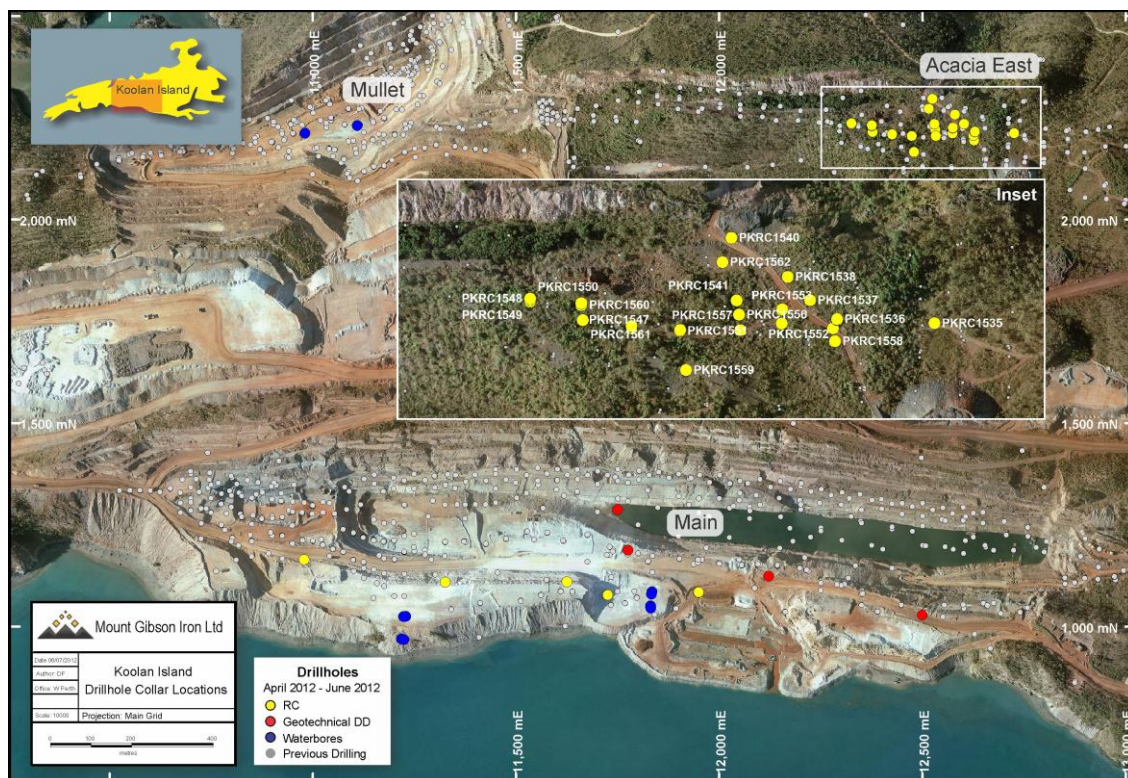
Significant Intercepts Fe>55%									
Hole ID	From (m)	To (m)	Width (m)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	EOH (m)
PKRC1529	182	197	15	64.07	6.42	0.58	0.010	0.41	197
PKRC1530	158	167	9	66.29	2.48	1.28	0.010	0.50	168
PKRC1531	141	144	3	59.00	14.90	0.37	0.004	0.14	156

## Acacia East

Resource infill drilling was also undertaken at Acacia East in May and June.

The program comprised 25 RC holes of which 23 successfully intercepted the mineralised zone and penetrated through to the underlying Elgee Siltstone, as indicated in *Table 2*.

The geology of the mineralised zone consists of competent hematitic conglomerate with lenses of sandstone. The location of infill drill holes is indicated in Figure 9 below:



**Figure 9 – RC infill drill hole locations at Acacia East**

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**Table 2: Acacia East Resource Infill Assay Results**

Significant Intercepts Fe>55%									
Hole ID	From (m)	To (m)	Width (m)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	EOH (m)
PKRC1535	61	78	17	60.22	12.83	0.36	0.008	0.22	90
PKRC1536	58	70	12	60.81	12.96	0.23	0.007	0.16	78
PKRC1537	44	56	12	59.45	14.07	0.55	0.010	0.37	67
PKRC1538	27	40	13	55.25	20.70	0.13	0.010	0.14	54
PKRC1539	49	58	9	56.27	19.32	0.22	0.005	0.18	72
PKRC1540	0	13	13	58.34	16.34	0.19	0.007	0.14	30
PKRC1541	46	51	5	58.32	15.96	0.36	0.008	0.26	78
	54	57	3	61.63	11.58	0.11	0.003	0.05	
PKRC1542	66	72	6	57.25	17.22	0.24	0.013	0.27	90
PKRC1543	69	71	2	57.40	18.10	0.19	0.013	0.18	90
	75	81	6	64.27	8.42	0.13	0.005	0.09	
PKRC1544	72	79	7	61.90	11.50	0.20	0.005	0.36	90
PKRC1545a	87	90	3	57.83	17.54	0.10	0.007	0.10	108
	92	95	3	56.63	19.40	0.11	0.006	0.03	
PKRC1546	57	59	2	60.45	13.50	0.08	0.006	0.07	80
	62	64	2	60.70	13.35	0.08	0.009	0.13	
PKRC1547	No significant results								84
PKRC1548	51	58	7	63.00	10.09	0.08	0.005	0.11	72
PKRC1549	58	65	7	58.90	15.57	0.11	0.010	0.30	78
PKRC1550	70	82	12	64.23	8.23	0.08	0.004	0.05	96
PKRC1551	No significant results								90
PKRC1552	60	73	13	62.38	10.51	0.11	0.006	0.10	84
PKRC1553	53	61	8	62.54	10.29	0.21	0.010	0.16	78
PKRC1554	73	78	5	61.60	11.14	0.14	0.010	0.09	96
	80	84	4	63.80	7.62	0.08	0.005	0.09	
PKRC1555	66	74	8	60.90	13.00	0.08	0.007	0.05	90
	76	78	2	60.60	13.21	0.10	0.004	0.07	
PKRC1556	60	68	8	59.56	14.84	0.11	0.006	0.09	90
	92	95	3	56.63	19.40	0.11	0.006	0.03	
PKRC1557	79	87	8	62.23	10.90	0.10	0.006	0.06	108
PKRC1558	85	95	10	60.13	12.87	0.21	0.010	0.20	108
PKRC1559	109	122	13	59.18	15.40	0.10	0.006	0.06	138

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## **Tallering Peak**

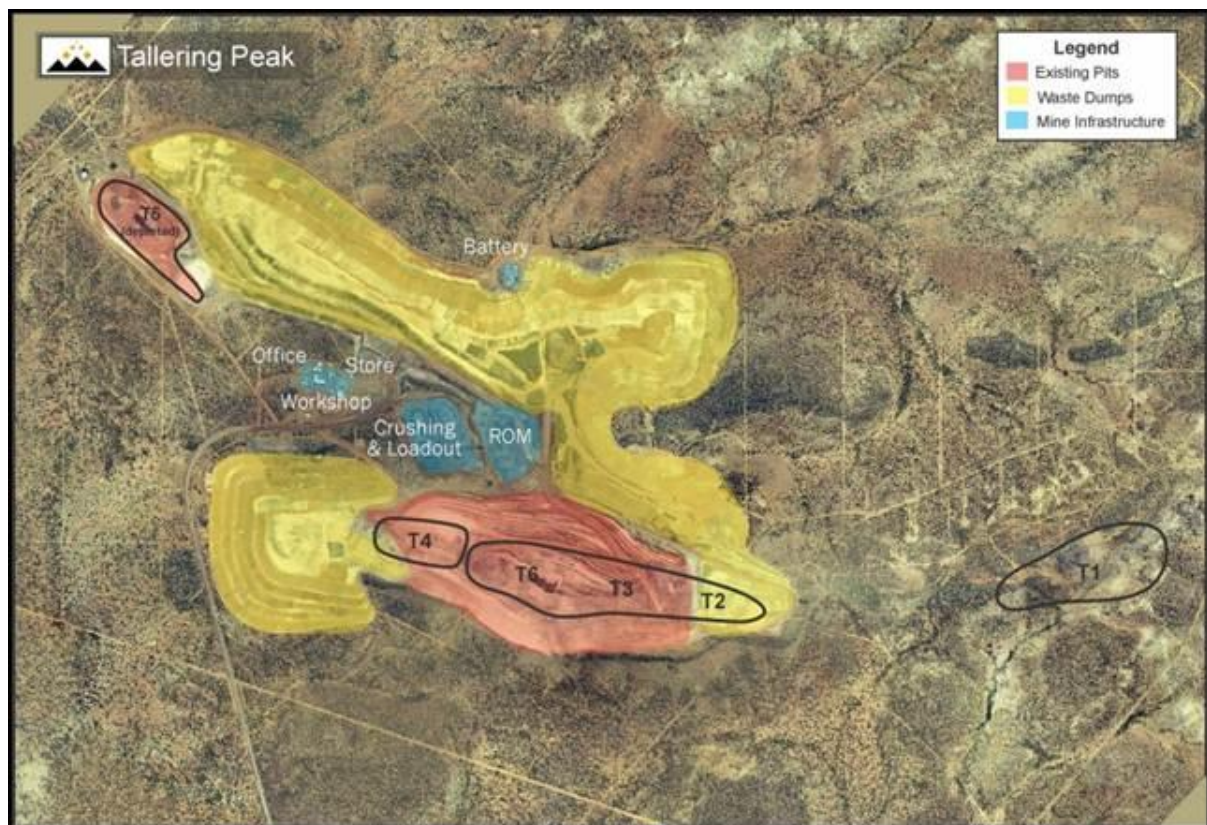
The T1 prospect is located approximately 1 km north-east of the Main Range pit, as indicated in Figure 10. Based on historical exploration activity undertaken by WMC in the 1960s, the prospect is considered to have potential for limited volumes of hematite mineralisation.

A Program of Work for an initial 50 drill holes was approved by the WA Department of Mines and Petroleum in May 2012, and drilling commenced on 21 June 2012.

At the end of the quarter, four holes had been completed. Assays were received from three of the completed holes, all of which encountered significant mineralisation grading over 60% Fe.

The geology of the mineralised zone consists of massive hematite with iron enrichment of BIF and a shallow zone of mineralised canga and detritals.

While still preliminary, the current data supports the geology model that the T1 prospect has mineralised hematite capping from the surface to the transitional zone grading into magnetite at depth.



*Figure 10 – Tallering Peak overview showing proximity of T1 prospect to existing pits.*

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The results of all holes received by the end of the quarter are indicated in *Table 3*.

**Table 3: Significant intercepts (>50% Fe) from RC drilling at T1**

Significant Intercepts Fe>50%										
Hole ID	Depth From	Depth To	Width	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI	EOH
	(m)	(m)	(m)	%	%	%	%	%	%	(m)
TTRC001	2	19	17	58.14	10.78	1.59	0.01	0.01	3.18	188
TTRC001	27	63	36	64.23	6.13	0.58	0.03	0.03	1.18	188
TTRC002	29	37	8	59.88	10.54	0.54	0.01	0.01	1.6	170
TTRC002	79	113	34	60.68	12.31	0.5	0.08	0.02	-0.16	170
<i>Including</i>	<i>88</i>	<i>99</i>	<i>11</i>	<i>65.8</i>	<i>5.26</i>	<i>0.23</i>	<i>0.11</i>	<i>0.01</i>	<i>0.02</i>	<i>170</i>
TTRC003	57	79	22	50.15	25.48	1.1	0.06	0	0.82	174
TTRC003	91	101	16	64.8	6.19	0.45	0.11	0.14	-0.23	174

## General Exploration

As part of Mount Gibson's longer term growth strategy, the Company continues to evaluate opportunities to complement its existing businesses.

The near term focus of this evaluation process is on identifying suitable opportunities in the Mid West region with the potential to supplement the scheduled decline in production from Talling Peak.

This process was stepped up in the June quarter, with the Company assessing a number of potential entry-level opportunities to expand its exploration footprint in the region via possible farm-in and joint ventures.

Mount Gibson will provide further updates as appropriate.

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## CORPORATE

A key milestone in the process to renew and strengthen Mount Gibson's executive team was achieved during the quarter, with the appointment of Jim Beyer as Chief Executive Officer on 14 May 2012 following a comprehensive executive search.

Subsequent to the end of the quarter, on 4 July 2012, Mount Gibson announced the appointment of Peter Kerr as Chief Financial Officer, starting 13 September 2012. Mr Kerr will join Mount Gibson from uranium development company Bannerman Resources Ltd, where he has been CFO since early 2009. He is also a former Managing Director of ASX-listed Northern Gold NL, and has held senior executive roles with diversified Canadian miner Teck Cominco and PacMin Mining Corporation Ltd.

With the previously announced departure of long serving CFO Alan Rule, former Deloitte partner Kathleen Bozanic will fill the role in an acting capacity until Mr Kerr's commencement. Ms Bozanic has been working closely with Mr Rule since late May to ensure a smooth transition of responsibilities.

The Company's corporate governance mechanisms were also further enhanced in the quarter, with the appointment of independent Non-Executive Director Simon Bird as Chairman of the Audit and Financial Risk committee, and independent Non-Executive Directors Paul Douglas and Russell Barwick commencing as Chairman of the Contracts committee and Chairman of the Operational Risk and Sustainability committee respectively.

**Jim Beyer**  
**Chief Executive Officer**

**12 July 2012**



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## Attribution

The information in this report that relates to Exploration Results is based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is an employee of 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”. Gregory Hudson 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.