

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2013 16 October 2013

HIGHLIGHTS:

Another strong quarter delivers increased sales and cash reserves

- Cash and term deposits increased to **\$420 million** (\$0.385/share) at 30 September 2013
- Continuing strong **September quarter** sales of **2.6 million wet metric tonnes** (Mwmt) of iron ore:
 - Total Koolan Island sales of **1.1 Mwmt**, including 206 kwmt of Rizhao Special Product
 - Total Mid West sales of **1.5 Mwmt**
- On track to achieve FY2014 ore sales guidance of **9.0 million to 9.5 million tonnes**
- First ore from Talling Peak T1 deposit produced in September 2013
- Koolan Island ramp up progressing to plan:
 - Koolan unit mining costs maintained at lower end of guidance
 - Continued improvement in Koolan Island productivity rates
- Drilling approvals obtained for Extension Hill South and Field's Find project areas

Comment

"Mount Gibson has made an excellent start to the 2014 financial year, achieving our second best ever quarterly sales result, which together with robust iron ore prices and our ongoing focus on cost reductions, has seen us maintain our record of strong cash generation," said Chief Executive Officer Jim Beyer.

"It is particularly satisfying to see continued rapid improvement at our Koolan Island operation as the ramp-up to 4 million tonnes per annum gathers momentum, delivering significant productivity and cost gains.

"Similarly the continuing strong performance of our Mid West operations keeps us well on track to achieve our full year sales target of 9.0 to 9.5 million tonnes this financial year, in line with guidance.

"It was also very pleasing to receive drilling approvals late in the quarter for both our Extension Hill South and Field's Find projects, which we believe have significant potential to add to our Mid West resource base. We are keenly awaiting the commencement of drilling, which is set to occur shortly."

"Mount Gibson looks forward to delivering another solid result in the December quarter."

PERFORMANCE AT GLANCE

	September Qtr 2012-13	December Qtr 2012-13	March Qtr 2012-13	June Qtr 2012-13	Sept Qtr 2013-14	FY 2013-14
DSO product sales (kwmt)	1,759	2,385	1,852	2,066	2,382	2,382
Rizhao Special Product sales (kwmt)	0	283	148	279	206	206
Total Ore Sales (kwmt)	1,759	2,668	2,000	2,343	2,588	2,588
Ave. Platts 62%Fe CFR price (US\$/dmt)	113	122	148	126	133	133
MGX FOB Ave. realised fines price* (US\$/dmt)	110	96	117	107	108	108
<p>September 2013 quarter DSO sales include 234kwmt of lower grade lump from Tallering Peak, and 160kwmt of mine-gate sales from Extension Hill.</p> <p>*MGX realised FOB fines price includes standard DSO fines product only, after adjustments for shipping freight and grade. Contract pricing in the period was based on a mix of lagging-monthly and month-of-shipment averages.</p> <p>(kwmt) = thousand wet metric tonnes. (US\$/dmt) = USD per dry metric tonne. Minor discrepancies may occur due to rounding.</p>						

OPERATIONS

Mount Gibson achieved its second best quarterly sales performance of 2.6 million tonnes in the September quarter, including 206,000 tonnes of Rizhao Special Product (RSP) from Koolan Island. This was an increase of 13% compared with the preceding quarter and only marginally lower than the record 2.7 million tonnes sold in the December quarter of 2012.

Mount Gibson remains on track to achieve total ore sales of 9.0 to 9.5 million tonnes in the financial year ending 30 June 2014, consistent with guidance.

During the quarter, Mount Gibson continued to achieve cost and expenditure improvements consistent with the objectives of the optimisation and efficiency drive commenced in late 2012, notably with regard to continued cost and productivity improvements at Koolan Island as the ramp-up to 4 million tonnes per annum has progressed.

Operating statistics for each of the sites are tabulated in Appendix A.

Koolan Island

Total material movement and ore production increased significantly in the September quarter as the planned ramp-up progressed. Waste movement increased 51% to 6.1 million tonnes, while ore production increased more than sixfold to 863,000 tonnes compared with the June Quarter.

Ore shipments from Koolan Island during the September quarter were 86% higher than the preceding quarter, totalling 1,075,000 tonnes, including three shipments of RSP totalling 206,000 tonnes.

At the end of the quarter, crushed Direct Shipping Ore (DSO) stockpiles totalled approximately 66,000 tonnes, and uncrushed DSO stockpiles totalled 191,000 tonnes.

Mount Gibson is maintaining its guidance for Koolan Island unit cash mining cost to average within a range of \$8-10 per tonne moved as mining volumes increase to targeted levels in line with the ramp-up schedule. Average unit cash mining costs for the quarter remained at the lower end of guidance, and the Company is extremely encouraged that cost improvements continue to be achieved.



Figure 1: High grade ore exposed in the floor of Koolan Island Main Pit, looking east, October 2013.

Labour productivity also continued to improve during the period. Average total tonnes moved per man hour in September were approximately 25% higher than the average for June 2013 and approximately 22% higher than in May 2012, the peak point for the preceding financial year.

Construction of the new workshop was effectively completed in the period, with final fit out and the transfer of workshop operations currently underway. Completion of the centralised administration facility is also well advanced and is expected to be operational before the end of the December Quarter.

Production and shipping statistics for Koolan Island are tabulated in Appendix A.

Mid West Operations

Mount Gibson's operations in the Mid West delivered another strong performance with combined sales from Extension Hill and Talling Peak totalling 1.5 million tonnes.

This represented the second best quarterly sales performance achieved by the Company's Mid West operations, and followed record quarterly sales in the preceding quarter.

Ore shipments from Geraldton during the quarter totalled 1.4 million tonnes, a strong result in light of tidal-surge conditions which affected operations at Geraldton Port for approximately two weeks during September. Three shipments scheduled to occur in September were subsequently exported in early October. Tonnes railed to Geraldton totalled approximately 1.4 million tonnes.

In addition to shipments from Geraldton Port, Mount Gibson completed mine-gate sales to a third party totalling approximately 160,000 tonnes of DSO from Extension Hill during the quarter.

These mine-gate sales were made possible through a short term opportunity to utilise available third party rail capacity in excess of the Company's allocated train paths from the Perenjori rail siding. Mine gate sales are priced on a Free on Train basis, reflecting the prevailing market price less rail, port and shipping costs (which

are incurred by the purchaser). These sales have delivered Mount Gibson a cash margin comparable to conventional DSO shipments from Geraldton.

Extension Hill Hematite Mine

Extension Hill maintained its strong operating performance in the September quarter, achieving total sales of 749,000 tonnes, its second best quarterly sales result.

Ore mining for the September quarter increased 50% to 552,000 tonnes, compared with the previous quarter. Total material movement remained broadly similar to the preceding quarter.

Total tonnes crushed in the quarter increased by 8% to 719,000 tonnes compared with the preceding period, while road haulage increasing 9% to 657,000 tonnes. Rail haulage to the Geraldton Port totalled 651,000 tonnes.

Shipments from Geraldton Port totalled 589,000 tonnes in the quarter, comprising of 474,000 tonnes of lump and 115,000 tonnes of fines, with lower shipping volumes reflecting the tidal-surge related restrictions at Geraldton Port in September.

Additional mine-gate sales to a third party totalling approximately 160,000 tonnes were completed during the September quarter, comprising 118,000 tonnes of DSO lump and 42,000 tonnes of DSO fines. This product was sold from the Perenjori rail siding.

At the end of September, approximately 218,000 tonnes of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 355,000 tonnes. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 165,000 tonnes, showing a decrease of 44% from the previous quarter. This substantial reduction reflected the Company's continuing strategy of drawing down existing ore stockpiles. At the end of September, mine-site stockpiles of uncrushed lower grade material totalled 1.9 million tonnes.

Production and sales statistics for Extension Hill are tabulated in Appendix A.



Figure 2: Mining activity at Extension Hill in September 2013.

Tallering Peak

Tallering Peak performed strongly during the quarter with total material movement increasing 26% to 1.6 million tonnes compared with the previous quarter.

Ore mined increased 36% to 605,000 tonnes, reflecting higher production rates and better than anticipated ore recovery from the main T6 pit. Crusher throughput was similar to the previous quarter at 588,000 tonnes.

Development of the T1 pit commenced in August with first ore achieved in September and full production anticipated in October.

Road haulage was 24% higher the previous quarter as rail-side stockpile volumes stabilised following the drawdown strategy in the previous quarter. Due to the tidal-surge restrictions at Geraldton Port, shipments were marginally lower at 764,000 tonnes, comprising 582,000 tonnes of DSO lump and 182,000 tonnes of DSO fines.

Mining in the main T6 pit is scheduled for completion in early 2014, with mining in the T1 pit expected to conclude in mid 2014.

At the end of September, approximately 189,000 tonnes of crushed standard product and 38,000 tonnes of crushed lower grade ore were stockpiled at the mine, in addition to stockpiles of approximately 100,000 tonnes of uncrushed standard product. Uncrushed stocks of low grade ore at the mine totalled approximately 279,000 tonnes. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 192,000 tonnes, while stockpiles of crushed low grade material totalled approximately 466,000 tonnes.

Mount Gibson anticipates total ore sales of approximately 2.5 million tonnes from Tallering Peak in FY2014, including the sale of approximately 700,000 tonnes of stockpiled lower grade ore.

Production and shipping statistics for Tallering Peak are tabulated in Appendix A.



Figure 3: First ore is mined from the T1 pit at Tallering Peak in September 2013.

EXPLORATION AND RESOURCE DEVELOPMENT

Koolan Island

West End

Extensive mapping and rock chip sampling was conducted over a number of iron-prospective targets on the West End of Koolan Island in the September Quarter. Significant hematite mineralisation and iron rich sandstone units were mapped and correlated with drill intercepts from a prior RC drill program that was conducted in 2011.

Mount Gibson has now reviewed, relogged and reinterpreted the 2011 drill program, and in conjunction with the data from recent mapping, a further drill program to test viable drill targets is planned to occur after the conclusion of the wet season during the first half of 2014.

Areas of potential mineralisation identified from the above activities are shown in Figure 4 below:

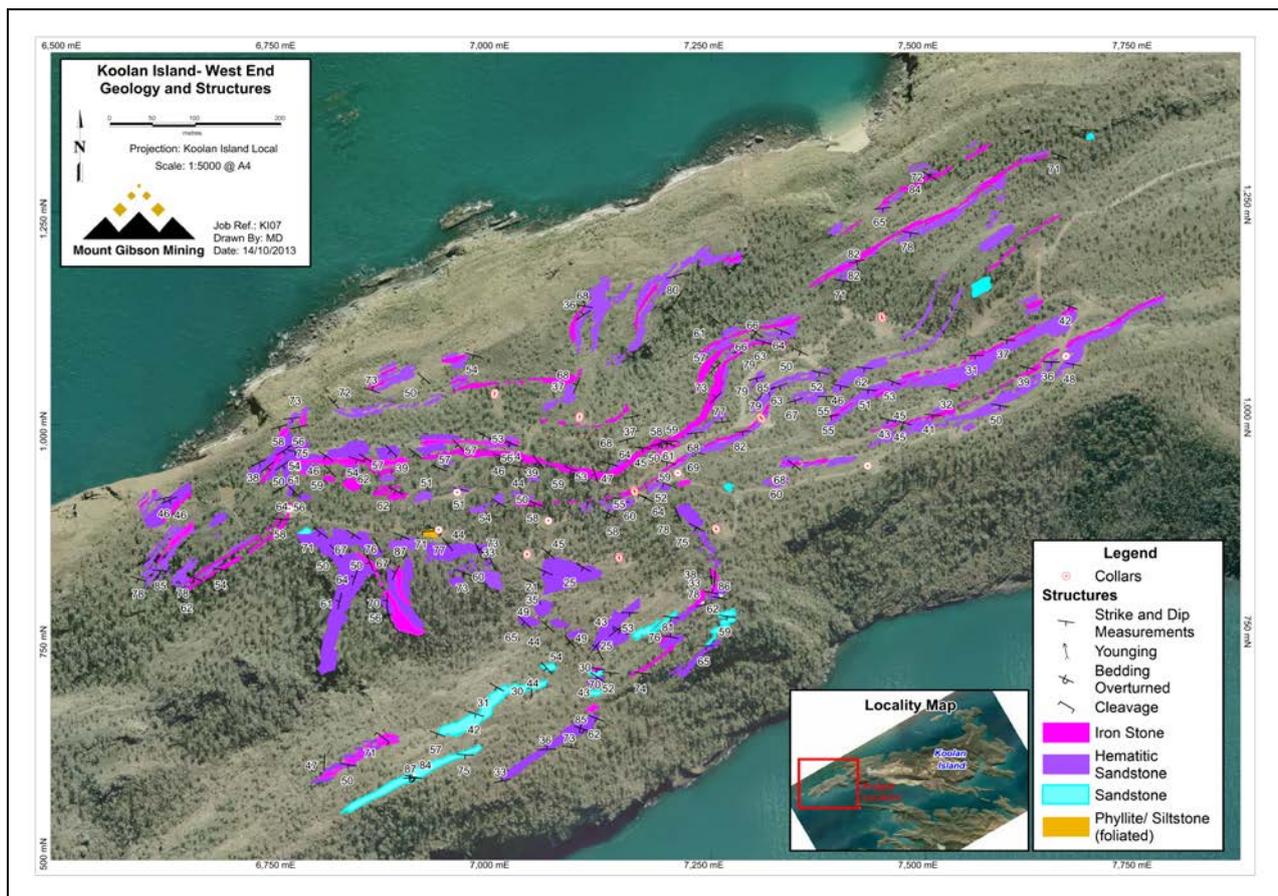


Figure 4: Areas of interest at Koolan Island West End.

Koolan South

Exploration Licence E04/1407-I is located on the mainland directly south of Koolan Island. The Koolan South tenement covers 230 square kilometres, and is considered prospective for iron ore and base metals. Prior to the September quarter no substantial exploration had been undertaken in the area for almost 15 years. Access has been enabled with the consent of the Dambimangari Native Title group.

A helicopter-supported exploration and reconnaissance program was conducted in two phases in the September quarter, with an initial program conducted in late June into early July, and a second program conducted in mid July in conjunction with the WA Geological Survey.

Results from the initial week-long program of mapping, surveying, and rock chip sampling showed a complex tightly folded region with extensive porphyritic intrusions. Units considered prospective for stratabound copper were identified and mapped, with elevated levels of copper mineralisation identified with the use of a portable XRF.

The second helicopter-supported reconnaissance program focussed on geological unit identification, with multiple rock samples taken to age-date the rock formations.

Planning is underway to further investigate iron and base metals potential in the area with a future airborne geophysics survey currently under assessment.

Mid West

Extension Hill South

Based on detailed reviews of past exploration data from the area immediately south of the Extension Hill open pit, Mount Gibson considers the Extension Hill South area to have the most exciting near mine exploration potential for iron ore in the Mid West.

The WA Department of Mines and Petroleum approved a Program of Work for an initial RC drill program at Extension Hill South on 23 September 2013. Drilling is now scheduled to commence at the Iron Hill prospect in November 2013. Surface mapping and historical drilling results indicate the area has high potential to host economic hematite which could extend the Extension Hill mine life.

Field's Find

The Field's Find project area is located 60 kilometres north of the Company's Extension Hill mine. The 250 square km tenement package includes the Plateau iron prospect, the historic Baron Rothschild and Fields Find gold camps and the abandoned Warriedar copper mine.

Following receipt of heritage consent and DMP drilling approval in September, initial drilling of the Plateau prospect is scheduled to commence in mid October.

Plateau is an iron enriched ultramafic laterite prospect, where a number of significant iron intercepts were recorded in drilling by a previous operator.

Other Activity

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, where its existing processing and infrastructure footprint gives the Company a strategic competitive advantage.

Mount Gibson made several exploration licence applications in the Mid West in the June quarter and continues to monitor and peg prospective ground.

The Company also continues to assess broader long term growth opportunities in bulk carbon steel materials, primarily focused on iron ore and coking coal.

CORPORATE

Mount Gibson achieved an average realised fines price, excluding sales of RSP, of US\$108 per dry metric tonne Free on Board (FOB) during the September quarter. The June quarter average Platts CFR price (where the iron ore supplier pays freight costs) for 62% Fe fines delivered to China was US\$133/dmt.

Cash and term deposits were \$420 million (\$0.385 per share) as at 30 September 2013, compared with \$376 million at 30 June 2013. The quarter end cash balance was after payment of quarterly corporate tax instalments totalling \$7.4 million, and net of brought-forward month end payments to suppliers totalling \$30 million. These supplier payments were brought forward as part of efforts to further reduce group costs by improving the Company's trade terms and negotiating potential supplier discounts. Mount Gibson continues to assess the potential benefits of this approach to determine whether to continue with the strategy.

During the quarter, on 23 August 2013, Mount Gibson reported a net profit after tax of \$157.3 million for the financial year ended 30 June 2013.

JIM BEYER

Chief Executive Officer

16 October 2013

For further information:

Jim Beyer

Chief Executive Officer
Mount Gibson Iron Limited
+61-8-9426-7500

John Phaceas

Manager External Relations
Mount Gibson Iron Limited
+61-8-9426-7500

Alan Deans

Last Word Corporate
Communications
+61 (0)427 490 992

Mount Gibson will host an analysts/institutions teleconference at **14:00pm AEDT** on 16 October 2013. Investors will be able to listen in to the teleconference by dialing **1800 857 029** immediately prior to the scheduled start time and entering the access code **61492002#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

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 Iron Limited group, 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.

APPENDIX A

Quarterly Operating Statistics by Site

	September Qtr 2012-13	December Qtr 2012-13	March Qtr 2012-13	June Qtr 2012-13	September Qtr 2013-14	<i>Total 2013-14</i>
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	5,373	2,668	1,256	4,033	6,089	6,089
Ore mined	555	707	460	134	863	863
Ore crushed	793	913	747	334	1,106	1,106
Shipping/Sales						
Lump	151	364	217	213	220	220
Fines	635	651	435	87	650	650
Rizhao Special Product	0	283	148	279	206	206
Total	786	1,298	800	578	1,075	1,075
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	3,076	1,387	820	832	1,000	1,000
Ore mined	558	627	517	445	605	605
Ore crushed	504	675	642	583	588	588
Shipping/Sales*						
Lump	275	592	353	487	582	582
Fines	113	178	241	310	182	182
Total	388	771	594	797	764	764
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	927	595	645	709	496	496
Ore mined	530	589	317	369	552	552
Ore crushed	633	665	502	667	719	719
Shipping/Sales^						
Lump	469	361	180	531	592	592
Fines	116	239	426	438	156	156
Total	585	600	606	970	749	749
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	9,376	4,650	2,721	5,574	7,584	7,584
Total ore mined	1,643	1,923	1,294	948	2,019	2,019
Total ore crushed	1,930	2,253	1,891	1,584	2,413	2,413
Shipping/Sales						
Lump	895	1,317	750	1,230	1,394	1,394
Fines	864	1,068	1,102	835	988	988
RSP	0	283	148	279	206	206
Total	1,759	2,668	2,000	2,343	2,588	2,588

(kwmt) = thousand wet metric tonnes

*includes the sale of 115kwmt of lower grade DSO lump in the September 2012 quarter, 115kwmt in the June 2013 quarter, and 234kwmt in the September 2013 quarter.

^ Includes mine gate sales totalling 42kwmt of DSO lump and 134kwmt of DSO fines in the June 2013 quarter, and 118kwmt of DSO lump and 42kwmt of DSO fines in the September 2013 quarter.

Minor discrepancies may appear due to rounding, and minor post-period adjustments.