

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2013 19 July 2013

HIGHLIGHTS:

Record annual sales achieved after strong June Quarter

- Cash and term deposits increased to **\$376 million** (\$0.34/share) at 30 June 2013, minimal debt
- Record total **full year** ore sales of **8.8 million wet metric tonnes** (Mwmt), including 709,000 wet metric tonnes of Rizhao Special Product (RSP):
 - Record full year sales of direct shipping ore (DSO) hematite of **8.1 Mwmt**
 - Record Mid West sales of 5.3 Mwmt (2012: 2.4 Mwmt)
 - Total Koolan Island ore sales of 3.5 Mwmt (2012: 2.8 Mwmt)
- Total **June quarter** sales of **2.3 million tonnes** of iron ore:
 - Mid West sales of 1.8 Mwmt
 - Koolan Island sales of 578 kwmt
- Further growth in group ore sales with FY2014 guidance of **9.0 million to 9.5 million tonnes**
- Koolan Island ramp-up to 4 million tonnes per annum (Mtpa) underway
- Ongoing cost reduction program on track:
 - Koolan unit mining costs reducing in line with guidance
 - Koolan labour productivity rate doubled since December, with increasing volumes
 - Forecast 50% reduction in annual sustaining capex for Koolan pit wall geotechnical support from initial estimates
- T1 mining proposal approved at Tallering Peak, with first ore targeted in September 2013, extending the Tallering Peak mine life to mid-2014
- Koolan South exploration program commenced
- Extension Hill South exploration permitting well advanced

QUARTERLY REPORT



Comment

"Mount Gibson's continued strong operational performance in the June quarter delivered record full year sales of 8.8 million tonnes and provided a substantial buffer against the volatile market conditions which prevailed during the period," said Chief Executive Officer Jim Beyer.

"The record performance of our Mid West operations was particularly pleasing, offsetting an anticipated temporary dip in ore production at Koolan Island as we commenced our mining ramp up to achieve 4 million tonnes per annum by the end of next year.

"This demonstrates the merits of our 'portfolio management' approach to operating our business, and gives us confidence we can increase sales to 9.0 to 9.5 million tonnes this financial year.

"Our strong financial position, growing sales outlook for 2014, and demonstrated ability to deliver, position Mount Gibson well for further operating improvement and business growth."

PERFORMANCE AT GLANCE

	September Qtr 2012-13	December Qtr 2012-13	March Qtr 2012-13	June Qtr 2012-13	FY 2012-13	FY 2011-12
DSO product sales (kwmt)	1,759	2,385	1,852	2,064	8,062	5,212
Rizhao Special Product sales (kwmt)	-	283	148	279	709	0
Total Ore Sales (kwmt)	1,759	2,668	2,000	2,343	8,771	5,212
Ave. Platts 62%Fe CFR price (US\$/dmt)	113	122	148	126	127	150
MGX FOB Ave. realised fines price* (US\$/dmt)	110	96	117	107	108	124

DSO sales include lower grade DSO sales from Talling Peak totalling 115kwmt in the September 2012 quarter and 115kwmt in the June 2013 quarter. June quarter DSO sales include 176kwmt in mine-gate sales from Extension Hill.

*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.

(kwmt) = thousand wet metric tonnes.

(US\$/dmt) = USD per dry metric tonne.

Minor discrepancies may appear due to rounding.

OPERATIONS

Mount Gibson achieved its second best quarterly sales performance of 2.3 million tonnes in the June quarter, including 279,000 tonnes of Rizhao Special Product (RSP) from Koolan Island. The strong performance lifted total ore sales for the year ended 30 June to a record 8.8 million tonnes. Direct shipping ore (DSO) sales, which exclude the sale of RSP, were also a record at 8.1 million tonnes, consistent with guidance of 8.0 to 8.5 million tonnes.

Mount Gibson anticipates total ore sales of 9.0 to 9.5 million tonnes in the financial year ending 30 June 2014.

Operating statistics, including production and shipping, for each of the sites are tabulated in Appendix A.

During the quarter, Mount Gibson continued to achieve cost and expenditure improvements consistent with the objectives of the optimisation and efficiency drive implemented in late 2012.

Koolan Island

Mining activity increased substantially during the June quarter following implementation of the March 2013 optimised mine ramp-up plan.

Total material movement increased 143% on the previous quarter, reflecting the resumption of two shift mining operations and recruitment of additional operators.

As foreshadowed in the March quarter activities report, mining activity focused largely on waste movement during the June quarter in accordance with the optimised ramp-up plan.

Operations were also adversely affected by four unseasonal rain events, during which in excess of 600 millimetres of rain fell over a combined total of 16 days in April, May and June. This unseasonal rain resulted in unplanned temporary production delays due to minor road damage, short term flooding of working areas, and slower crushing rates.

As indicated previously, a major maintenance shutdown of the crushing circuit was undertaken during the quarter to coincide with this planned period of reduced ore production. Construction of the new maintenance workshop also continued and final fit out is underway.

Ore shipments from Koolan during the June quarter totalled 578,000 tonnes and will increase substantially in the current quarter reflecting the mine ramp-up plan. At the end of the quarter, crushed DSO stockpiles totalled approximately 67,000 tonnes, and uncrushed DSO stockpiles totalled 134,000 tonnes.

Productivity gains have been significant at Koolan Island following the implementation of the optimised mine plan to ramp-up production to 4 million tonnes per annum by the end of calendar 2014.

Labour productivity has improved significantly since the ramp-up commenced. Ore tonnes produced per person (employees and contractors) more than doubled between December 2012, when activity rates were at their lowest, and the end of June. Mount Gibson anticipates further improvement as the mine ramps-up to full production of 4 Mtpa.

Unit mining costs at Koolan have been reducing with the commencement of the ramp-up and are on track to achieve the \$8 to \$10 per tonne of total material moved target guidance provided in March as mining volumes increase to targeted levels. Unit cash mining costs in the month of June were approximately 11% lower than the average achieved at Koolan in the six months to 31 December 2012.

In addition, further detailed geotechnical evaluation has reduced expected sustaining capex for pit wall geotechnical support to less than \$10 million per annum, which is at least 50% lower than initially estimated in March.

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



Figure 1: Mining activity in Koolan Island Main Pit, June 2013. Dark band at the end of the pit is ore.

Mid West Operations

Mount Gibson's operations in the Mid West delivered record sales in the June quarter totalling 1.8 million tonnes.

Strong rail availability was maintained during the period, with 1.5 million tonnes railed from the Company's Mid West mines to the Geraldton Port, compared with 1.3 million tonnes railed in the preceding quarter.

Ore shipments from Geraldton during the quarter totalled 1.6 million tonnes, a significant increase on the 1.2 million tonnes shipped in the preceding quarter.

In addition to ore shipments from Geraldton, Mount Gibson completed mine-gate sales totalling 176,000 tonnes of DSO from Extension Hill 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

Sales from Extension Hill for the quarter totalled 968,000 tonnes, a 60% increase over the preceding quarter, including the mine-gate sales from the Perenjori rail siding referred to above.

Ore production for the June quarter totalled 370,000 tonnes, 17% more than in the preceding period. Total material movement was 12% higher.

Consistent with the Company's strategy of drawing down existing stockpiles, at the end of June, stockpiles of crushed finished product at the Perenjori rail siding totalled approximately 295,000 tonnes, showing a 44% decrease from the previous quarter. At the mine site, stockpiles of uncrushed product ready for crushing totalled approximately 446,000 tonnes, a drawdown of 36% from the previous quarter, while stockpiles of crushed finished product increased 68% to 160,000 tonnes. Mine-site stockpiles of uncrushed lower grade material totalled 1.8 million tonnes.

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



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

Tallering Peak

The Tallering Peak mine performed strongly during the June quarter with reducing physical activity reflecting the mine slow-down towards closure and the implementation of the cost reduction initiatives announced in October 2012.

Road haulage was reduced by 7% while rail haulage increased by 18%. Increased rail haulage reflected the increase in sales from ore stockpiles at the rail siding. Shipping increased by 34% from the preceding quarter to 797,000 tonnes.

At the end of June, approximately 218,000 tonnes of crushed standard product were stockpiled at the mine, in addition to stockpiles of approximately 29,000 tonnes of uncrushed standard product. Uncrushed stocks of lower grade ore at the mine totalled approximately 335,000 tonnes. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 182,000 tonnes, while stockpiles of crushed lower grade lump material totalled approximately 647,000 tonnes.

Planning and permitting for development of the T1 satellite deposit were also undertaken during the quarter and are discussed in greater detail in the Exploration and Resource Development section of this report.

Following further pit optimisation work, mining in the operating T6 pit at Tallering Peak is now scheduled for completion in January 2014.

With additional ore from T6, the expected development of the T1 deposit, and sales from stockpiles of lower grade ore, Mount Gibson anticipates total ore sales of approximately 2.5 million tonnes from Tallering Peak in FY2014. All mining activity is currently scheduled for completion by mid 2014.

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



Figure 3: Mining in the T6 pit at Talling Peak in June 2013.

EXPLORATION AND RESOURCE DEVELOPMENT

Talling Peak

T1 Deposit

During the June quarter, resource development activity continued at the T1 deposit located approximately 1km north-east of the operating T6 pit at Talling Peak. A maiden resource for the T1 deposit was reported in the March quarter, and updated in April^[1].

Key State Government approvals for the T1 deposit have been achieved, including the mining proposal consent. Mount Gibson announced Probable Ore Reserves for the T1 deposit of 801,000 tonnes grading 61.0% Fe on 16 July 2013^[2].

Subject to formal receipt of final clearing permits, Mount Gibson expects to extract first ore from T1 in September 2013, with production expected to continue until mid 2014.

Koolan Island

Koolan South

Exploration Licence E04/1407-I is located on the mainland directly south of Koolan Island, and covers an area of 230 square kilometres considered prospective for iron ore and base metals. No substantial exploration has been undertaken in the area for almost 15 years.

A helicopter-supported exploration and reconnaissance program commenced in the last week of June on exploration licence E04/1407-I. This is the first time Mount Gibson geologists have had access to the ground

^[1] Refer ASX announcement 19 March 2013 and March quarter activities report released 15 April 2013.

^[2] Refer ASX announcement 16 July 2013.

since grant of the tenement in October 2012. Access has been enabled with the support and consent of the Dambimangari Native Title group.

The initial week-long program involved a team of four geologists mapping, surveying and rock chip sampling, including the use of a portable XRF for in-the-field elemental assessment. A second helicopter-supported reconnaissance program across E04/1407-I was conducted in mid July.

While exploration on this project area is at a very early stage, the geology is now well understood. Data from this initial reconnaissance phase will assist preparation for future exploration activity.

Extension Hill Region

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 as having the most exciting near mine exploration potential for iron ore in the Mid West.

A Program of Work for an RC drill program at Extension Hill South is currently being assessed by the WA Department of Mines and Petroleum (DMP). An environmental survey was conducted in April across the exploration area which yielded encouraging data to assist access, while heritage approvals have been granted for the planned exploration.

Mount Gibson is very excited by this opportunity and is working diligently to attain the regulatory approvals needed to access these high priority target areas in order to confirm historical data and commence further exploration.

Field's Find

In April, Mount Gibson completed the acquisition of a substantial tenement package covering 250 square kilometres at Field's Find, 60 kilometres north of Extension Hill. The tenement package includes the Plateau iron prospect, the historic Baron Rothschild and Fields Find gold camps and the abandoned Warriedar Copper mine.

Several field visits have been conducted including mapping and review of workings in the June quarter.

A Program of Work for an RC drill program at Plateau is currently being assessed by the DMP with approvals expected by the end of July. Drilling should commence on Plateau in the September quarter.

In June, Mount Gibson applied for an additional Exploration Licence (ELA59/1984) over ground adjacent to the Field's Find project tenements. The application is on the strike extension of Baron Rothschild and Stone Hut prospects and covers a portion of the Pinyalling Hills which are prospective for iron.

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.

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

CORPORATE

Mount Gibson achieved an average realised fines price, excluding sales of RSP, of US\$107 per dry metric tonne Free on Board (FOB) during the June 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\$126/dmt.

Cash and term deposits were \$376 million (\$0.34 per share) as at 30 June 2013, compared with \$342 million at 31 March 2013. The quarter end total was after dividend payments totalling \$22 million and quarterly corporate tax instalments of \$8 million.

JIM BEYER

Chief Executive Officer

19 July 2013

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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 2012 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 Ore Reserves is based on information compiled by Weifeng Li, who is a member of the Australasian Institute of Mining and Metallurgy. Weifeng Li is a consultant to Mount Gibson Iron Limited, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the December 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Weifeng Li has consented to the inclusion of the matters in this report based on the 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	Total 2012-13	Total 2011-12
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	5,373	2,668	1,256	4,033	13,330	20,750
Ore mined	555	707	460	134	1,856	2,957
Ore crushed	793	913	746	334	2,787	3,164
Shipping/Sales						
Lump	151	364	217	213	945	1,012
Fines	635	651	435	87	1,807	1,831
Rizhao Special Product (RSP)	0	283	148	279	709	0
Total	786	1,298	800	578	3,461	2,843
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	3,076	1,387	820	832	6,115	16,888
Ore mined	558	627	517	445	2,146	1,949
Ore crushed	504	675	642	583	2,404	2,133
Shipping/Sales*						
Lump	275	592	353	487	1,707	831
Fines	113	178	241	310	842	763
Total	388	771	594	797	2,550	1,594
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	927	595	645	709	2,876	3,349
Ore mined	530	589	317	370	1,805	2,368
Ore crushed	633	666	501	667	2,467	1,646
Shipping/Sales^						
Lump	469	361	180	530	1,540	539
Fines	116	239	426	438	1,220	236
Total	585	600	606	968	2,759	775
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	9,376	4,650	2,721	5,574	22,321	40,987
Total ore mined	1,643	1,923	1,294	948	5,808	7,275
Total ore crushed	1,930	2,254	1,889	1,585	7,658	6,943
Shipping/Sales						
Lump	895	1,317	750	1,230	4,193	2,382
Fines	864	1,068	1,102	834	3,869	2,830
RSP	0	283	148	279	709	0
Total	1,759	2,668	2,000	2,343	8,771	5,212

(kwmt) = thousand wet metric tonnes

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

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

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