

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2014 14 October 2014

Highlights

Strong operational performance in the September quarter in volatile market conditions:

- Cash and term deposits of **\$465 million** (\$0.43/share) at 30 September 2014, after investment in Koolan Island mining fleet, quarterly cash tax payments and royalties.
- September quarter iron ore sales revenue of **\$117 million** Free on Board (FOB).
- September quarter iron ore sales of **1.9 million wet metric tonnes** (Mwmt), reflecting solid performances at Koolan Island and Extension Hill, and the closure of Tallering Peak.
- Sales on track with full year guidance of **6.6 to 7.0 Mwmt**.
- Group unit cost reduction strategy delivering ongoing improvement:
 - Koolan Island cash unit mining costs reduced to bottom end of guidance of \$7-9/t moved
 - Delivery of replacement mobile equipment to further boost Koolan Island productivity in the December quarter
- Final approvals received for RC drilling programme at the Iron Hill prospect at Extension Hill South.
- Reported net profit after tax of **\$96.4 million** for the 2014/14 financial year, and fully franked dividend of **4.0 cents per share**.
- Reported Group Mineral Resources of **83.3 million tonnes @ 61.8% Fe**, inclusive of Total Ore Reserves of **44.3 million tonnes @ 62.0% Fe** as at 30 June 2014.

*All currency expressed in AUD unless stated otherwise. Sales revenue figures are unaudited.

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "Mount Gibson continued to deliver a strong operational performance in volatile conditions in the September quarter, during which the iron ore price fell sharply. Importantly, Mount Gibson was partially buffered against this price decline by the comparatively high grade and quality of our product mix.

"While conditions remain challenging, Koolan Island productivity and mining costs continue to improve at a rapid rate, giving us great confidence that our investment in new fleet and waste stripping over the next couple of years will position Koolan Island to become one of Australia's lowest cash cost operations thereafter.

"Meanwhile, Extension Hill continues to generate steady production and positive cashflow.

"These factors, together with our ongoing business improvement programme, high grade Ore Reserves, product mix and strong balance sheet, leave Mount Gibson well positioned to both navigate the volatile conditions and pursue value accretive growth opportunities."

PERFORMANCE AT A GLANCE

	Unit	Sep-2013 Quarter	Dec-2013 Quarter	Mar-2014 Quarter	June 2014 Quarter	Sep-2014 Quarter
Standard DSO product sales*	kwmt	2,148	2,046	1,392	1,971	1,717
Low Grade DSO sales*	kwmt	234	245	417	481	0
Rizhao Special Product (RSP)	kwmt	206	202	212	148	146
Total Ore Sales	kwmt	2,588	2,493	2,021	2,600	1,863
Ave. Platts 62%Fe CFR price	US\$/dmt	133	135	120	103	90
MGX FOB Ave. realised fines price#	US\$/dmt	102	103	95	83	65
MGX FOB Ave. realised Low Grade price^	US\$/dmt	68	69	62	34	NA
<p>*Standard DSO sales included 106kwmt of mine-gate sales from Extension Hill in the September 2014 quarter, 138kwmt in the June 2014 quarter and 160kwmt in the September 2013 quarter.</p> <p>#Mount Gibson's realised FOB fines price includes standard DSO fines product only, after adjustments for shipping freight, grade, provisional invoicing adjustments and penalties for impurities. Contract pricing in the period was based on a mix of lagging-monthly and month-of-shipment averages. Mine gate sales are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.</p> <p>^Mount Gibson realised FOB Low Grade price is for lower grade DSO sales only, excluding Rizhao Special Product from Koolan Island, and is reported after adjustments for shipping freight, grade and penalties for impurities.</p> <p>kwmt = thousand wet metric tonnes. US\$/dmt = USD per dry metric tonne. Minor discrepancies may occur due to rounding.</p>						

OPERATIONS

Ore sales in the September quarter totalled 1.9 million tonnes, reflecting strong performances at Koolan Island and Extension Hill, and final sales from Talling Peak. The Company remains on track to meet its full year sales guidance of 6.6 to 7.0 Mwmt.

In line with forecast, Talling Peak was closed in September, following depletion of Ore Reserves in the prior quarter after ten years of continuous operation. Four shipments of DSO from Talling Peak were completed in the quarter.

The cessation of low grade sales from Talling Peak, and the scheduled completion of RSP sales from Koolan Island in October, will significantly improve the Company's delivered ore grade and quality profile in an increasingly volatile market for lower grade iron products. Mount Gibson expects to achieve a weighted average sales grade of ~61% Fe in the 2015 financial year, subject to there being no resumption of sales of low grade material during the year.

Productivity and cost improvements also continued to be delivered at Koolan Island, where cash unit mining costs for the September quarter averaged at the bottom end of the guidance range of \$7-9 per tonne moved.

Mount Gibson continues to target further improvement as replacement mining fleet is commissioned, however guidance remains unchanged.

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

Koolan Island

Ore shipments from Koolan Island during the September quarter totalled 923,000 wmt, including two shipments of Rizhao Special Product (RSP) totalling 146,000 wmt. At the end of the quarter, crushed direct ship ore (DSO) stockpiles totalled approximately 62,000 wmt, and uncrushed DSO stockpiles totalled approximately 139,000 wmt. The final shipment of RSP is scheduled to occur in late October.

Total mining volumes increased by more than 25% in the September quarter. This reflected continued productivity improvements during the period. Further improvement is anticipated with the arrival of the first items of replacement mobile mining equipment which occurred in late September. Ore production volume was lower than the previous quarter, consistent with normal short term schedule variations.



Figure 1: Replacement haul trucks arrive at Koolan Island by barge on 1 October 2014.

The significant lift in mining volumes contributed to further improvement in productivity and cost performance with unit cash mining costs averaging at the bottom end of guidance of \$7-9 per tonne moved for the quarter. The Company remains on track to achieve its targeted mining rates required to deliver ore production of 4 million tonnes per annum in the 2015-16 year.

In line with previous guidance, Mount Gibson expects to invest approximately \$60 million over two years to replace the Koolan Island mining fleet, of which \$45 million will be spent in the current financial year. At the end of September, the Company had spent \$23 million of this total on the load and haul fleet.

Commissioning of this mobile equipment is expected to further boost productivity as activity rates continue to increase in line with the ramp-up schedule, and as Mount Gibson continues to deliver ongoing business improvement initiatives.

As indicated previously, the ramp-up at Koolan Island requires initial investment in waste stripping to complete a cutback in Main Pit over the next two years. Once this cutback is complete, the strip ratio will begin to reduce rapidly, resulting in a significant reduction in cash operating costs which are expected to be in the bottom quartile of global iron ore producers.

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

Extension Hill Hematite Mine

Consistent with the trend of the preceding quarter, overall mining activity continued to increase during the September quarter, with total material movement rising 29% to 1.8 Mwmmt in the period.

Ore sales from Extension Hill totalled 705,000 wmt, including 106,000 wmt in mine-gate sales. Sales comprised 317,000wmt of lump and 388,000 wmt of fines. Shipping from the Geraldton Port was slightly lower reflecting tidal surge-related interruptions during September.

At the end of September, approximately 97,000 wmt of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 168,000 wmt. Mine-site stockpiles of uncrushed lower grade material totalled 2.5 Mwmmt at the end of the quarter. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 153,000 wmt.

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



Figure 2: Mining in the Extension Hill open pit in August 2014, looking north.

Tallering Peak

Following the completion of mining in the previous quarter, Tallering Peak completed four shipments, totalling 234,000 wmt, during the quarter. Sales comprised two cargoes of DSO lump, totalling 116,000 wmt, and two cargoes of remnant medium grade fines totalling 118,000 wmt.

No sales of low grade material were completed in the quarter. However, Mount Gibson will continue to assess potential opportunities to monetise low grade remnant material.

Activity in the period focused on mine site rehabilitation and demobilisation of remaining personnel, plant and equipment. Progressive rehabilitation and seeding of waste dumps continued in September, with effective site closure occurring at the end of the month (Figure 3). Significantly, the site passed a record 760 consecutive days without a Lost Time Injury at the end of September.

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

EXPLORATION AND RESOURCE DEVELOPMENT

Extension Hill South

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

Recent diamond core drilling, combined with RC drilling conducted in December 2013¹, support detailed reviews of historical exploration data showing iron mineralisation.

Approvals, including a Native Vegetation Clearing Permit, for a second round of RC drilling, comprising 72 holes at Iron Hill, were also received in late September. This programme is targeted to commence in October.

A further update on progress at Extension Hill South is anticipated during the December quarter.

¹ Refer ASX release 13 February 2014



Figure 3: The last members of the Tallering Peak team in late September 2014.

Shine Hematite Project

As stated previously², Mount Gibson has reviewed the development schedule for the Shine Hematite Project in the context of current iron ore prices and the need to assess data from drilling undertaken in the June quarter for incorporation into the Shine Mineral Resource and Ore Reserves.

Mount Gibson continues to consider it prudent to defer development of the Shine project at this time. This will allow the Company to evaluate updated geological information and further optimise the development plan and schedule. The Shine project remains a valuable asset that provides the Company with substantial low-capital optionality to supplement production from Extension Hill, with a relatively short start-up time frame.

Fields Find

The Fields Find project area is located 60 kilometres north of the Company's Extension Hill mine. The 250 sqkm tenement package was acquired in April 2013 and includes the Plateau iron prospect, an iron-enriched ultramafic laterite occurrence.

A second round of RC drilling, totalling 272 holes for 3,615 metres, was completed in the quarter to expand on previous mineralised zones identified from a drill program in October 2013. The geology encountered was similar to the 2013 drill programme with discrete deeper channels of iron enriched material encountered within a veneer of transported lower Fe grade material.

Identification of areas with possible iron enrichment across Fields Find including the Pinyalling Hills prospect is advanced with 14 iron targets generated. Numerous nickel and gold targets have also been generated with ground truthing and mapping of these areas to commence in October.

Koolan Island - West End

Activity during the quarter focused on further surface mapping and inspections of a proposed drill locations at the west end of Koolan Island.

Engagement of contractors and the mobilisation of earthmoving and drilling equipment have commenced, with RC drilling scheduled to begin in October.

² Refer ASX releases 17 July 2014 and 20 August 2014

Annual Statement of Mineral Resources and Ore Reserves

Mount Gibson released its annual Statement of Mineral Resources and Ore Reserves subsequent to the end of the quarter, on 7 October 2014.

At 30 June 2014, Mount Gibson's Total Mineral Resources stood at **83.3 million tonnes of Iron Ore at a grade of 61.8% Fe, inclusive of Total Ore Reserves of 44.3 million tonnes at 62.0% Fe.**³ This further highlights the high grade of the Company's Ore Reserves relative to other comparable producers.

For full details of the Company's Mineral Resources and Ore Reserves refer to the ASX release dated 7 October 2014, or the Company's website: www.mtgibsoniron.com.au

CORPORATE

Realised pricing and revenue

The September quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to China was 13% lower than previous quarter at US\$90/dmt, compared to US\$103/dmt in the March quarter.

During the period, Mount Gibson achieved an average realised price for its standard iron ore fines of US\$65 per dry metric tonne (dmt) Free on Board (FOB), after grade and provisional pricing adjustments and penalties for impurities. This price was for standard fines product only, and excludes sales of RSP. No other low grade products were sold during the period.

Mount Gibson continues to expect to achieve a weighted average ore sales grade of ~61% during the current financial year, subject to there being no resumption of sales of low grade material.

This increase in grade and quality will partly offset reduced sales tonnes from the Mid West and provide a buffer against the impacts of the significant increase in market supply of lower grade ores in recent months. This increase in low grade supply has driven widening discounts in the last 6-9 months for products below 58% Fe, amplifying the impacts of lower prices for iron ore. These increasing low grade discounts further highlight the value of higher quality ore products.

Total FOB ore sales revenue⁴ for all products, including lower grade ore and RSP, was \$117 million in the quarter.

Cash and term deposits totalled \$465 million (\$0.43 per share) at 30 September 2014, compared with \$520 million at 30 June 2014. This reflected substantial investment in mining equipment at Koolan Island (\$23 million) and quarterly cash company tax payments (\$7 million).

Financial Results

On 20 August 2014, Mount Gibson released its financial results for the year ended 30 June 2014, reporting a statutory net profit after tax of \$96.4 million, and declared a fully franked dividend of 4.0 cents per share totalling \$43.6 million.

Mount Gibson notes that during September, the Australian Senate repealed the Minerals Resource Rent Tax (MRRT), effective 1 October 2014. Consequently, as disclosed in the Company's 2013/14 annual financials, Mount Gibson expects to record a non-cash write-off of approximately \$46 million in its financial results for the six months ended 31 December 2014. This amount represents the remaining balance of the MRRT deferred tax asset which was previously required to be recorded in accordance with applicable accounting standards to reflect the technical tax value of the Company's MRRT starting base allowances. This is a non-cash technical accounting adjustment that will have no impact on the Company's underlying business or cashflows. Mount Gibson has not paid, and does not expect to pay, any MRRT.

Given currently prevailing lower iron ore prices, and the consequential impacts on operating cashflows, Mount Gibson will also be re-assessing the book carrying values of its non-current assets in its half-year financials, in accordance with applicable accounting standards.

³ Refer ASX release 7 October 2014

⁴ Quarterly sales revenue figures are unaudited.

Annual General Meeting

Subsequent to the end of the quarter, Mount Gibson released its 2014 Annual Report and the notice of meeting for its Annual General Meeting to be held on 12 November 2014. For full details, refer to the Notice of Meeting, released to the ASX on 10 October 2014, or the Mount Gibson website.

JIM BEYER

Chief Executive Officer

14 October 2014

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 **11:30am AEDT (8.30am WST)** on 14 October 2014. Investors will be able to listen in to the teleconference by dialling **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).

Competent Persons Attribution:

Mount Gibson Iron Exploration Results

The information in this report that relates to Exploration Results including sampling techniques and data is based on information compiled by Gregory Hudson, a Competent Person who is a member of the Australasian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Iron Limited, and he has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity 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". Gregory Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mount Gibson Iron Mineral Resources (excluding the Shine and Koolan Island Main deposits)

The information in this report relating to Mineral Resources, excluding the Shine Deposit and Koolan Island Main Deposit, is based on information compiled by Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Elizabeth Haren was a full-time employee of, and is a consultant to, Mount Gibson Iron Limited. Elizabeth Haren has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Elizabeth Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Mount Gibson Iron Mineral Resource (Main Deposit at Koolan Island)

The information in this report relating to the Mineral Resources of Main Deposit at Koolan Island is based on information compiled by Jani Kalla, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Jani Kalla is a full-time employee of Mount Gibson Iron Limited. Jani Kalla has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Jani Kalla consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Koolan Island Main Deposit Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

Shine Deposit Mineral Resource

The information in this report that relates to Mineral Resources at the Shine Deposit is based on information compiled by John Graindorge, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. John Graindorge consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Mineral Resource estimate complies with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

Koolan Island and Extension Hill Ore Reserves

The information in this report relating to Ore Reserves Koolan Island and Extension Hill is based on information compiled by Paul Salmon, a Competent Person who is a member and a Chartered Professional of the Australasian Institute of Mining and Metallurgy. Paul Salmon is a full-time employee of Mount Gibson Iron Limited. Paul Salmon has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Salmon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The Ore Reserve estimates comply with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Shine Ore Reserve

The information in this report that relates to Ore Reserves at the Shine Deposit is based on information compiled by Steve O'Dea, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Steve O'Dea is a full-time employee of Coffey Mining Pty Ltd and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Steve O'Dea consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Ore Reserve estimate complies with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

APPENDIX A

Quarterly Operating Statistics by Site

	Sep-2013 Quarter	Dec-2013 Quarter	Mar-2014 Quarter	Jun-2014 Quarter	Sep-2014 Quarter	<i>FY</i> <i>2014-15</i>
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	<i>(kwmt)</i>
Mining & Crushing						
Waste mined	6,089	5,436	7,335	6,321	8,409	<i>8,409</i>
Ore mined	863	665	446	874	668	<i>668</i>
Ore crushed	1,106	915	468	1,257	908	<i>908</i>
Shipping/Sales						
Standard DSO Lump	220	221	-	220	210	<i>210</i>
Standard DSO Fines	650	508	281	835	568	<i>568</i>
Rizhao Special Product (RSP)	206	202	212	148	146	<i>146</i>
Total	1,076	931	493	1,203	923	<i>923</i>
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	<i>(kwmt)</i>
Mining & Crushing						
Waste mined	1,000	1,137	1,328	545	-	-
Ore mined	605	484	661	412	-	-
Ore crushed	588	571	659	698	-	-
Shipping/Sales						
Standard DSO Lump*	348	411	227	0	116	<i>116</i>
Standard DSO Fines	182	239	176	0	118	<i>118</i>
Low Grade DSO*	234	245	417	481	0	<i>0</i>
Total	764	895	820	481	234	<i>234</i>
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	<i>(kwmt)</i>
Mining & Crushing						
Waste mined	360	467	323	523	607	<i>607</i>
Standard ore mined	552	385	600	711	973	<i>973</i>
Low-grade ore mined [#]	136	156	167	210	279	<i>279</i>
Total ore mined	688	541	767	921	1,252	<i>1,252</i>
Ore crushed	719	573	654	789	954	<i>954</i>
Shipping/Sales[^]						
Standard DSO Lump	592	370	354	604	317	<i>317</i>
Standard DSO Fines	156	297	355	313	388	<i>388</i>
Total	749	667	709	916	705	<i>705</i>
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	<i>(kwmt)</i>
Mining & Crushing						
Total waste mined	7,448	7,041	8,987	7,389	9,016	<i>9,016</i>
Total ore mined	2,155	1,691	1,874	2,207	1,920	<i>1,920</i>
Total ore crushed	2,413	2,059	1,780	2,744	1,862	<i>1,862</i>
Shipping/Sales						
Standard DSO Lump*	1,160	1,001	581	824	643	<i>643</i>
Standard DSO Fines	989	1,045	811	1,148	1,074	<i>1,074</i>
Low Grade DSO*	234	245	417	481	-	-
RSP	206	202	212	148	146	<i>146</i>
Total	2,588	2,493	2,021	2,600	1,863	<i>1,863</i>

kwmt = thousand wet metric tonnes.

*DSO Lump Sales were previously reported inclusive of lower grade lump ore sales from Talling Peak. DSO sales are now reported as Standard Lump, Standard Fines and Low Grade DSO.

[^]Includes mine gate sales totalling 72kwmt of DSO lump and 34kwmt of DSO fines in the September 2014 quarter, 121 kwmt of DSO lump and 17kwmt of DSO fines in the June 2014 quarter, and 119kwmt of DSO lump and 42kwmt of DSO fines in the September 2013 quarter.

[#] Low-grade ore is material grading 50-55% Fe at Extension Hill considered to be saleable. This material is being stockpiled for future sale but continues to be treated as waste for accounting purposes.

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