

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2016 18 April 2016

Key Points*

- March quarter iron ore sales of **1.5 million wet metric tonnes (Mwmt)**, and quarterly ore sales revenue of **A\$63 million** Free on Board (FOB).
- Total ore sales of **4.1 Mwmt** and sales revenue of **A\$187** million for the nine months to 31 March 2016.
- Cash and term deposits steady at **A\$345 million** at 31 March 2015.
- Quarterly cashflow of approximately **A\$8 million**, including expected provisional pricing adjustments for March sales.
- All-in group cash costs** of **A\$40/wmt** FOB for the March quarter, a significant reduction from A\$47/wmt in the preceding quarter.
- Acacia East mining and sales completed at Koolan Island, and site transitioning to care and maintenance.
- Continued Extension Hill operational changes to provide sales flexibility while controlling unit costs.
- FY2016 ore sales guidance maintained at **4.5-5.0 Mwmt**.
- Average all-in group cash cost target for FY2016 lowered to **A\$48-52/wmt** FOB.**
- Gross profit from continuing operations of A\$12.0 million and net loss after tax of A\$15.4 million reported for the December 2015 half-year.

* Sales revenue and cost figures are unaudited.

** All-in group cash costs are reported FOB and include cash opex, royalties, capex and corporate costs.

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "In the face of ongoing price volatility in the March quarter, including a drop in the benchmark Platts 62% Fe index price below US\$40/dmt in January, continued strong operational performances at Koolan Island and Extension Hill enabled the Company to maintain its strong cash reserves, further reduce cash costs and generate positive cashflow whilst also winding down operations at Koolan Island.

"The more buoyant prices of recent weeks have been welcome and provide cause for optimism as our operating focus turns squarely to our Mid-West business, where we are targeting development of the Iron Hill deposit when the current Extension Hill pit is completed.

"We are also very encouraged by the progress made evaluating the rebuild options for the Main Pit seawall at Koolan Island, while also continuing to evaluate potential new resources acquisition opportunities outside of iron ore.

"Nonetheless ongoing volatility means we continue to monitor conditions closely in order to protect our business and preserve value for shareholders."

PERFORMANCE AT A GLANCE

	Unit	Mar-2015 Quarter	Jun-2015 Quarter	Sep-2015 Quarter	Dec-2015 Quarter	Mar-2016 Quarter	YTD FY2016
Standard DSO product sales*	kwmt	1,073	1,664	1,061	1,520	1,547	4,128
Total Ore Sales	kwmt	1,073	1,664	1,061	1,520	1,547	4,128
Ave. Platts 62%Fe CFR price	US\$/dmt	62	58	55	47	48	50
MGX FOB Ave. realised fines price#	US\$/dmt	47	38	40	35	27	35
Minor discrepancies may occur due to rounding. *Standard DSO sales included 52kwmt of mine-gate sales from Extension Hill in the June 2015 quarter and 46kwmt in the March 2015 quarter. DSO sales include material from the Acacia East satellite pit at Koolan Island. #Mount Gibson's realised FOB fines price includes standard DSO fines product from Extension Hill 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, when they occur, are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping. kwmt = thousand wet metric tonnes. US\$/dmt = USD per dry metric tonne.							

OPERATIONS

Ore sales in the March quarter totalled 1.5 Mwmt, reflecting continued steady operational performance at Extension Hill and the completion of mining and sales from the Acacia East satellite pit at Koolan Island. Ore sales for the first nine months of 2015-16 totalled 4.1 Mwmt.

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

Koolan Island

Ore shipments from Koolan Island during the March quarter totalled 651,000 wmt, comprising 4 shipments of fines and 5 shipments of lump ore from the Acacia East satellite pit, compared with 518,000 wmt in the preceding quarter.

Mining was completed in Acacia East in February 2016, and the final shipment was exported in late March. As previously reported, Koolan Island is now being transitioned to care and maintenance while activities continue with regard to evaluating options to reinstate the Main Pit seawall. During the quarter, a program of geotechnical drilling at the Main Pit seawall was completed as part of the ongoing evaluation of rebuilding options. Data from this drilling is being processed and incorporated into the evaluation program.

Site cash costs at Koolan Island for the final quarter of production averaged A\$24/wmt FOB¹, including royalties, reflecting the final sale of mined and stockpiled shipments and the cessation of mining and crushing activities.

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

Extension Hill Hematite Mine

The Extension Hill mine continued its strong operational performance in the March quarter. Shipments from Geraldton Port totalled 896,000 wmt, comprising 8 shipments of fines and 7 shipments of lump ore.

The mine was cashflow neutral for the quarter, reflecting the impacts of significantly lower realised prices and the build-up of stockpiles, net of the effects of continuing cost reduction and productivity efforts.

All-in site cash costs¹ averaged A\$46/wmt sold FOB for the quarter.

As previously indicated, Mount Gibson implemented a number of changes in the quarter to provide greater operational flexibility in the prevailing volatile pricing environment, including completing its standardisation of two-and-one rosters. The Company continues to seek further improvements as part of its ongoing optimisation program.

According to the current mine plan, Mount Gibson expects to complete mining operations in the current Extension Hill pit in the September quarter of 2016, with sales expected to conclude in early 2017 by which

¹ Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations. Cost figures are unaudited.

time the Company plans to have secured the approvals for the adjacent Iron Hill deposit. The Iron Hill deposit represents a very low capital cost production opportunity utilising Extension Hill's existing mining and transport infrastructure should market conditions continue to be sufficiently attractive to proceed.

As stated previously, the Company continues to review its activities in the context of prevailing market conditions and the future outlook for iron ore prices on the basis of what is in the best interests of the Company and all shareholders. This includes closely monitoring the viability of continuing operations at Extension Hill with regard to both mine cashflows as well as historical fixed infrastructure and transport obligations that would become payable on early closure. These obligations, which reduce with cumulative sales tonnage, totalled approximately A\$20 million at 31 March 2016, compared with A\$26 million at 31 December 2015.

At the end of March, approximately 76,000 wmt of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 204,000 wmt. Mine-site stockpiles of uncrushed lower grade material totalled 3.5 Mwmt at the end of the quarter. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 328,000 wmt.

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

EXPLORATION AND RESOURCE DEVELOPMENT

Activity in the March quarter was primarily limited to progressing approvals and evaluating data from previously completed drilling and mapping of the Iron Hill prospect within the Extension Hill South project area.

Other than rehabilitation and environmental monitoring, all material exploration-related activities have been suspended as the Company focuses on cost reduction and capital preservation.

Iron Hill

In November 2015², the Public Environmental Review for the Iron Hill Deposit at Extension Hill South, immediately adjacent to the Company's operating Extension Hill mine, was released for public comment. A total of 11 submissions were received by the Office of the Environmental Protection Authority (OEPA) of Western Australia. The OEPA is now considering these submissions and Mount Gibson's responses.

Iron Hill has a Total Mineral Resource of 8.8Mt @ 58.3%Fe and has the potential for a material extension of mine life at Extension Hill for minimal capital cost, given its proximity to the existing operation. Subject to receipt of all necessary approvals, Mount Gibson is targeting to commence mining at Iron Hill when remaining Ore Reserves in the Extension Hill pit are depleted later in 2016. For details of Iron Hill Mineral Resources, refer to the Company's Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2015³.

CORPORATE⁴

Realised Pricing and Revenue

The March quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to northern China was US\$48 per dry metric tonne (dmt) compared with the US\$47/dmt average of the preceding quarter.

During the quarter, Mount Gibson achieved an average realised price for its standard Extension Hill iron ore fines of US\$27/dmt FOB, after grade and provisional pricing adjustments and penalties for impurities. This price reflects greater weighting of fines shipments to the first half of the quarter, when prices were lower, and the lag effect of contracted sales from Extension Hill which reflect the average price for the calendar month preceding shipment.

Total FOB ore sales revenue for all products was A\$63 million in the March quarter, compared with A\$70 million in the preceding quarter. Ore sales revenue for the nine month period totalled A\$187 million.

² Refer Iron Hill Deposits Public Environmental Review, published 23 November 2015 and available at www.mtgibsoniron.com.au

³ Refer ASX releases dated 17 August 2015.

⁴ Sales, cost and cash movement figures are unaudited.

Cash and term deposits totalled A\$345 million at 31 March 2016, in line with holdings at the end of December 2015. The quarter end cash position is after settlement of the majority of Koolan Island's trade creditor positions as operations at Acacia East were completed, and after a negative A\$6 million provisional pricing adjustment for prior quarter sales, as reported in the Company's financial results for the December 2015 half-year⁵. Due to improved prices late in the March quarter, Mount Gibson expects to record a positive provisional pricing adjustment totalling approximately A\$2 million in the June quarter for ore sold in March. Taking into account the expected positive adjustment for March quarter sales, the Company generated positive cashflow of approximately A\$8 million in the March quarter, including interest earnings of approximately A\$2.5 million.

Cost Performance

Mount Gibson continued to focus on cost reductions and productivity improvements in the March quarter. All-in group cash costs⁶ averaged A\$40/wmt FOB in the quarter, compared with A\$47/wmt in the preceding quarter.

Group Sales Guidance

Mount Gibson continues to expect FY2016 sales to be within its guidance range of **4.5-5.0 Mwmt** but has lowered its expected range for average all-in group cash costs to **A\$48-52/wmt FOB** for the full 2015-16 financial year, down from A\$50-54/wmt FOB previously. The Company notes that as a result of the completion of sales from Koolan Island, group unit cash costs will rise in the June quarter due to all corporate and non-operational costs being allocated to sales from Extension Hill only.

Koolan Island Insurance

Constructive discussions with Mount Gibson's insurers continued to progress the Company's insurance claim for the failure of the Main Pit seawall in late 2014. As previously reported, the Company has received conditional confirmation from all of its insurers that its existing insurance policy would respond, subject to the insurers' further reviews and final determination.

The 12 month business interruption insurance period concluded during the December quarter, enabling Mount Gibson to prepare and submit its total claim in the March quarter. The Company will provide further updates as appropriate.

Financial Results for December 2015 Half-Year

The Company announced a gross operating profit from continuing operations of A\$12 million and a statutory net loss after tax of A\$15.4 million for the six months ended 31 December 2015 on 17 February 2016. This compared with a statutory net loss of A\$869.8 million in the corresponding half of 2014.

JIM BEYER

Chief Executive Officer
18 April 2016

⁵ Refer ASX release dated 17 February 2016.

⁶ All-in group cash costs are reported FOB and include cash opex, royalties, capex and corporate costs.

For more information:

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Mount Gibson will host an analysts/institutions teleconference at **12.00 midday AEST (10.00am WST)** on **18 April 2016**. 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 Person's Statement

The information in this report relating to the Mineral Resources of Iron Hill at the Extension Hill South project 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. Mr Kalla was a full-time employee of Mount Gibson Iron Limited, and is now a full time employee of First Quantum Minerals Limited. Mr 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'. Mr 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 Iron Hill 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.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics by Site

	Mar-2015 Quarter	Jun-2015 Quarter	Sep-2015 Quarter	Dec-2015 Quarter	Mar-2016 Quarter	YTD 2015-16
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	783	66	1,225	1,874	223	3,322
Ore mined	406	144	335	666	380	1,381
Ore crushed	273	403	256	514	517	1,286
Shipping/Sales						
Standard DSO Lump	149	296	74	372	361	807
Standard DSO Fines	148	288	221	146	290	658
Rizhao Special Product (RSP)	-	-	-	-	-	-
Total	297	585	295	518	651	1,465
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	485	521	539	487	461	1,488
Standard ore mined	817	960	969	1,034	1,013	3,016
Low-grade ore mined [#]	158	172	206	182	189	578
Total ore mined	975	1,132	1,175	1,216	1,203	3,594
Ore crushed	833	982	1,039	1,026	868	2,932
Shipping/Sales[^]						
Standard DSO Lump	424	610	474	590	421	1,485
Standard DSO Fines	352	470	292	412	475	1,179
Total	776	1,080	766	1,002	896	2,664
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	1,267	587	1,763	2,362	684	4,809
Total ore mined	1,381	1,276	1,510	1,882	1,583	4,975
Total ore crushed	1,106	1,386	1,294	1,540	1,384	4,219
Shipping/Sales						
Standard DSO Lump	573	906	549	962	781	2,292
Standard DSO Fines	500	758	513	558	765	1,836
Low Grade DSO	-	-	-	-	-	-
RSP	-	-	-	-	-	-
Total	1,073	1,664	1,061	1,520	1,547	4,128

kwmt = thousand wet metric tonnes.

[^]Includes mine gate sales totalling 52kwmt of fines in the June 2015 quarter, and 46kwmt of fines in the March 2015 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 mineralised waste for accounting purposes.

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