

Interim Financial Results H1 2015



MGX

17 February 2015

Disclaimer



This Document is Confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person, or published, in whole or in part, for any purpose without prior written approval from Mount Gibson Iron Limited.

This Document is not a Prospectus nor an Offer to Subscribe for Shares.

Mount Gibson Iron Limited and its subsidiaries (ASX:MGX, “MGX”) makes no representations or warranty (express or implied) as to the accuracy, reliability or completeness of this document. MGX and its respective directors, employees, agents and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (expressed or implied) arising out of, or contained in or derived from, or for any omissions from this document, except liability under statute that cannot be excluded.

This document contains reference to certain forecasts, projections, intentions, expectations and plans of MGX, which may or may not be achieved. They are based on certain assumptions which may not be met or on which views may differ.

The performance and operations of MGX may be influenced by a number of factors, uncertainties and contingencies many of which are outside the control of MGX and its directors.

No representation or warranty (expressed or implied) is made by MGX or any of its respective directors, officers, employees, advisers or agents that any forecasts, projections, intentions, expectations or plans set out in this document will be achieved, either totally or partially, or that any particular rate of return will be achieved.

Investments in shares in MGX are considered highly speculative.

JORC COMPLIANCE STATEMENT – Iron Hill Exploration Target, Extension Hill South Project

The Iron Hill Prospect at the Extension Hill South Project has an Exploration Target of 5 - 7 million tonnes grading 58-61% Fe (refer ASX release 13 February 2014 for full details). The potential quantity and grade of this Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in a Mineral Resource. The information in this report that relates to Exploration Targets and 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.

A challenging period but still financially strong



Price weakness and Koolan Island seawall failure impacted results, but balance sheet remains strong:

- Underlying* pre-tax gross operating profit of **\$2.7 million** before impairments, compared with \$121.1 million in prior corresponding period
- Extension Hill operating cash flow of **\$15 million**
- Total non-cash impairments of **\$946.3 million** and non-cash tax benefit of \$123.8 million
- Reported net loss after tax of **\$869.8 million**, compared to net profit of \$78.3 million in pcp
- Cash and term deposits of **\$354.4 million**, or **\$0.32/share**, with minimal debt
- Sales revenue of **\$188.9m** on ore sales of **3.1 Mwmt**, 63% lower than in pcp

* The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is unaudited.

Successfully reducing costs and preserving capital



- Koolan Island workforce reduced in line site with ramp-down
 - 200 roles made redundant in December 2014
 - 125 roles retained for duration of Acacia East satellite mining
 - Acacia East mining to generate gross cash margin of **\$5m - 10m**
- Corporate office restructuring in line with changed operating needs
 - 20 roles (~30%) made redundant in December 2014
 - Restructuring continuing
- Extension Hill cost reductions and efficiency improvements to enhance margins
 - Incremental site cost improvements
 - Lower fuel and oil price benefits
 - Unit cost improvement with increase in raiiling capacity
 - Cash cost guidance of **\$45-47/wmt FOB** for June half 2015, from **\$49/wmt** in December half
- Ore sales guidance increased to **5.0 to 5.4 Mt** in FY 2015

Six months ended:		31-Dec-14	31-Dec-13
Ore tonnes mined	<i>Mwmt</i>	3.2	3.8
Ore tonnes sold	<i>Mwmt</i>	3.1	5.1
Sales revenue	<i>\$ mill</i>	188.9	509.5
Interest income	<i>\$ mill</i>	7.2	7.4
Cost of goods sold	<i>\$ mill</i>	(193.4)	(395.8)
Underlying* Gross profit before impairments	<i>\$ mill</i>	2.7	121.1
Impairments of ore inventories	<i>\$ mill</i>	(33.7)	-
Gross profit/(loss)	<i>\$ mill</i>	(31.0)	121.1
Admin and other expenses/income	<i>\$ mill</i>	(16.1)	(6.5)
Impairments [^]	<i>\$ mill</i>	(912.6)	-
Stock obsolescence		(5.5)	-
Finance costs	<i>\$ mill</i>	(1.6)	(3.1)
Profit/(loss) before tax	<i>\$ mill</i>	(966.9)	111.5
Tax (expense)/benefit – income tax	<i>\$ mill</i>	97.1	(33.2)
Net profit/(loss) after tax	<i>\$ mill</i>	(869.8)	78.3

* The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is unaudited.

[^] Impairment of mine properties, consumables inventories, property/plant/equipment and deferred acquisition, exploration and evaluation costs.

H1 2015 Cash operating expenditure

Impacted by Koolan Island

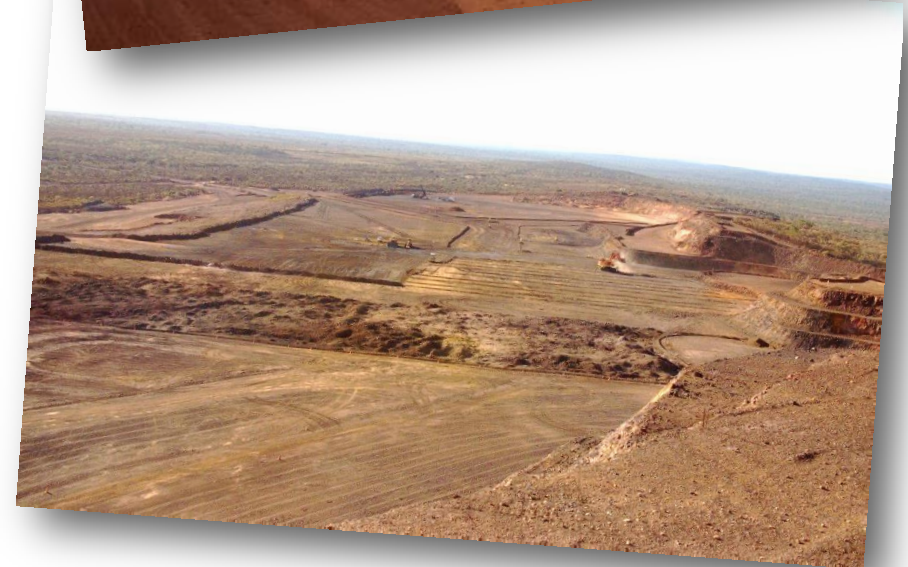


Six months ended 31 December:	2014		2013	
Sales Volume (Mwmt)	3.1		5.1	
Sales Revenue (A\$m)	188.9		509.5	
Realised FOB Price (A\$/wmt sold, including penalties and FX hedging)	60.94		100.28	
Cost breakdown	A\$m	A\$/wmt sold	A\$m	A\$/wmt sold
Total Cost of Goods Sold	193.4	62.41	395.8	77.90
Less: depreciation and amortisation	(60.2)	(19.42)	(104.8)	(20.62)
Add: deferred waste mining costs	92.7	29.91	43.3	8.53
Add/(less): ore stockpiles inventory movement	9.3	3.00	(39.7)	(7.81)
Cash operating expenditure including deferred waste mining and royalties	235.2	75.90	294.6	58.00
Less royalties	(18.2)	(5.88)	(42.0)	(8.26)
Cash operating expenditure excluding royalties	217.0	70.02	252.6	49.74

Extension Hill - strong base and reducing costs



- Established road, rail and port solutions
- Low mine-site costs, low strip ratio
- Quality product
- High lump yield
- H1 operating cashflow of \$15 million
- H1 cash costs \$49/wmt FOB (excl. royalties)
- H2 cash cost guidance \$45-47/wmt FOB (excl. royalties):
 - Incremental efficiency improvements
 - Lower fuel and oil price benefits
 - Export capacity increased 17% to 3.5 Mtpa with extra train path
- Known life extension opportunities
- Iron Hill approvals process progressing



Koolan Island update



- Seawall assessment on track for decision in June Half 2015
- Rebuild will only proceed if clearly viable and best use of capital
- Focus on maximising value from site in its current state
- Engagement with insurers progressing
- Mining in Acacia East satellite pit to recover ~400,000t
- Expected cash margin of \$5-10m at current FX and Fe prices
- Site operating costs reduced significantly in line with activity:
 - 200 roles removed in December
 - 125 roles required for duration of Acacia East mining



Summary



- First half results impacted by iron ore price decline and Koolan Island Main Pit seawall failure
- Strong balance sheet with period-end cash reserves of \$354 million
- Focused on preserving capital and reducing costs while Koolan Island evaluation work completed
- Substantial reductions in overhead costs achieved across the business
- Extension Hill operating costs reducing to enhance margins
- Weaker AUD and lower oil price benefits beginning to flow through
- Ore sales guidance range increased to 5.0 – 5.4 Mt in FY 2015
- MGX restructured to suit low price environment
- Balance sheet capacity to pursue quality opportunities

Supplementary information

Mineral Resources and Ore Reserves



Mineral Resources and Ore Reserves at 30 June 2014

Koolan Island					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	8.62	59.2	13.48	1.06	0.017
Indicated	43.14	64.3	6.42	0.75	0.014
Inferred	10.90	60.2	12.48	0.79	0.015
Total	62.66	62.9	8.44	0.80	0.014
Ore Reserves, above 50% Fe					
Proved	4.16	59.3	14.52	0.33	0.008
Probable	24.08	64.7	5.88	0.79	0.011
Total	28.24	63.9	7.16	0.72	0.011
Extension Hill					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	10.25	58.5	6.46	2.07	0.073
Indicated	0.70	57.9	9.99	1.36	0.068
Inferred	0.24	56.6	10.17	1.83	0.060
Total	11.19	58.4	6.76	2.02	0.072
Ore Reserves, above 50% Fe					
Proved	9.90	58.4	6.66	2.07	0.072
Probable	0.55	57.3	11.33	1.21	0.063
Total	10.45	58.3	6.90	2.02	0.072
Tallering Peak					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	0.41	58.9	6.26	3.50	0.082
Indicated	1.03	58.1	11.70	1.66	0.066
Inferred	0.20	54.7	17.89	1.93	0.056
Total	1.65	57.9	11.10	2.15	0.069
Shine					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 55% Fe					
Measured	2.65	59.7	7.58	2.18	0.085
Indicated	4.17	58.7	9.14	1.72	0.078
Inferred	0.95	58.0	9.80	1.50	0.079
Total	7.76	59.0	8.69	1.85	0.080
Ore Reserves, above 55% Fe					
Proved	2.20	60.0	6.88	2.33	0.080
Probable	3.40	58.9	8.92	1.79	0.077
Total	5.60	59.3	8.12	2.00	0.079
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Total Group Mineral Resources and Ore Reserves at 30 June 2014

Total Group Mineral Resources and Ore Reserves at 30 June (above 50% Fe and above 55% Fe for Shine Project)					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources	83.27	61.8	8.29	1.09	0.029
Ore Reserves	44.29	62.0	7.22	1.19	0.034
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages. Koolan Island Ore Reserves to be reviewed following completion of Main Pit seawall evaluation studies.					

Attributions

Mount Gibson Iron Exploration Results

The information in this report that relates to Exploration Targets and 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.

Tallering Peak, Koolan Island and Extension Hill Ore Reserves

The information in this report relating to Ore Reserves at Tallering Peak, 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.