

# QUARTERLY REPORT



## MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2012

### HIGHLIGHTS

#### OPERATIONS

- March quarter shipments of 1.22 million tonnes compared to 1.04 million tonnes in the prior corresponding period
- Koolan Island shipments maintained despite three monsoonal rain events that impacted ore production
- Excavator fleet upgraded at Koolan Island to improve productivity
- Continued ramp-up of Extension Hill production and shipments
- Commissioning of Shed 5 facility and rail unloader at Geraldton Port scheduled for May

#### CORPORATE

- Interim net profit of \$121.2 million reported for period ended 31 December 2011
- Maiden fully franked interim dividend of 2 cents per share was declared
- Simon Bird appointed as an independent non-executive director
- Li Shou Feng appointed as a non-executive director to succeed Cao Zhong
- David Stokes appointed Company Secretary/General Counsel
- Corporate governance processes were enhanced with the establishment of a governance committee of independent directors
- Executive management team strengthened

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## OPERATIONS

Mount Gibson shipped a total of 1.22 million tonnes during the March quarter, compared to 1.04 million tonnes in the prior corresponding period in 2011, in line with the 1.2 million tonnes shipped in the December quarter 2011.

Shipments for the nine months to 31 March 2012 totalled 4.05 million tonnes, compared to 4.28 million tonnes in the same period of 2010-11.

The weighted average fines realised price achieved by Mount Gibson during the March quarter was US\$114 per dry metric tonne Free on Board (FOB). This is based on the Platts March quarter average CFR price (where the iron ore supplier pays freight costs) of US\$143/dmt for 62% Fe fines delivered to China. Mount Gibson fines have an average grade of 60% Fe. Comparative FOB and CFR prices for the past three quarters are indicated in the following table:

		Sep-11 Quarter	Dec-11 Quarter	Mar-12 Quarter
Platts 62% Fe Fines CFR average price	US\$/dmt	177	142	143
MGX 60% Fe Fines FOB average realised price	US\$/dmt	150	115	114

## *Koolan Island*

Ore shipments from Koolan Island during the March quarter were similar to those in the preceding quarter, despite a 28% decline in total material movement during the quarter due to seasonal weather-related disruptions.

Koolan Island operations were significantly disrupted by three monsoonal rainfall events, one each in January, February and March. In January, more than 600 mm of rain fell in a week, in February over 400 mm fell in five days, while a similar event occurred in March. Tropical Cyclone Lua also threatened Koolan Island in late March, but passed to the south and had no impact.

The total rainfall for the 2011/12 wet season was similar to that of the previous year, with both seasons being approximately double the previous average.

After the January rainfall event, access to ore in the Mullet, Barramundi and East Pits was restricted due to flooding and Main Pit became the only ore source. As a result all material movement from mid-January has been concentrated in the Main Pit and production has been constrained due to lack of working areas and congestion of activities, as well as disrupted by damage to haul roads caused by the February and March rainfall events.

Crusher throughput for the quarter was down by 12% compared to the previous quarter due to lower ore output from the pits.

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Additional pumps have been installed in Mullet Pit as a priority and, in the event there are no more rain events, mining in Mullet Pit is expected to resume in the current quarter. Rehabilitation of the footwall of Main Pit has progressed steadily, however additional pumping time will now be necessary to recover from water inflows due to the rain events and access to the bottom of the pit has been delayed.

Construction of the Main Pit sea wall has been completed and monitoring of seepage and settlement is occurring. Formal sign-off and handover of the project is expected in the current quarter.

As part of an ongoing optimisation program and review of equipment availability and productivity at Koolan Island, a new 360 tonne excavator was commissioned in March to replace a smaller 300 tonne machine which had reached the end of its operational life. A new 250 tonne excavator was also commissioned in April to replace a similar machine (refer Figure 2).

Also in March, the first concrete pour in the new workshop/warehouse/office complex took place. Work on this project will accelerate in the coming dry season.

Koolan Island production for the March Quarter 2012 is detailed in the following table:

			Sept-11	Dec-11	Mar-12	Total 11-12
			Qtr	Qtr	Qtr	
			000's	000's	000's	000's
<b>Mining</b>	Waste Mined	bcm	2,205	2,350	1,689	<b>6,244</b>
	Ore Mined	wmt	685	726	583	<b>1,994</b>
<b>Crushing</b>	Lump	wmt	353	321	249	<b>923</b>
	Fines	wmt	382	448	430	<b>1,260</b>
	<b>Total</b>	wmt	735	769	679	<b>2,183</b>
<b>Shipping</b>	Lump	wmt	365	285	219	<b>869</b>
	Fines	wmt	508	442	511	<b>1,461</b>
	<b>Total</b>	wmt	873	727	730	<b>2,330</b>

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*Figure 1- Pit development in Main Pit at end of March 2012, looking East.*



*Figure 2 – The new 250 tonne excavator mining waste in Main Pit.*

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## ***Mid West Operations***

As indicated in the December 2011 Quarterly Report, the company's Mid West operations remained output constrained during the quarter, with batch transporting of ore continuing from Talling Peak and Extension Hill to Geraldton Port.

This was due to a combination of considerable rail downtime associated with the upgrade of rail line infrastructure for other mining projects in the region and rail out-loading constraints that will be in place until the completion of common user facilities upgrades at the port.

The company continues to work closely with its service providers to minimise disruption caused by these ongoing port and rail construction activities. Construction of the company's Shed 5 facility and the new Berth 5 rail unloader are largely complete, with commissioning rescheduled to occur in mid May (refer Figure 3). This delay will allow for a planned 12 day maintenance shutdown by the Geraldton Port Authority. Synchronising tie-in and pre-commissioning activities with the port shutdown will optimise available export capacity during April.

These infrastructure works, combined with the planned return to more consistent output from Talling Peak, will allow the Company to fully utilise its existing train paths to ramp up performance and export capacity from Mount Gibson's Mid West operations to the targeted six million tonnes per annum.



*Figure 3 – Aerial view of Geraldton Port showing MGX Shed 4, right, and Shed 5 in the foreground. (Photo courtesy of Gindalbie Metals)*

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## Extension Hill Hematite Mine

Mine ore production was 63% higher and crushing was 73% higher than the previous quarter. Crushing outputs varied from month to month in response to railing and crushed product stockpile constraints.

Road haulage from Extension Hill to Perenjori siding railhead ramped up further during the quarter with 687,000 tonnes transported. Railing of lump and fines product totalled 351,000 tonnes to the company's existing Shed 4, which is shared with Talling Peak, at the Geraldton Port. An additional 62,000 tonnes of ore was hauled by road from site to Geraldton Port and stockpiled in the new Shed 5 facility at the port, which has allowed a level of continued ore deliveries to the port during interruptions to rail services.

Construction works at the mine site are effectively complete with a relatively short list of outstanding items to close out.

Extension Hill production for the March Quarter 2012 is detailed in the following table:

			Sept -11 Qtr 000's	Dec-11 Qtr 000's	Mar-11 Qtr 000's	Total 11-12 000's
<b>Mining</b>	Waste Mined	bcm	226	265	363	<b>854</b>
	Ore Mined	wmt	444	459	748	<b>1,651</b>
<b>Crushing</b>	Lump	wmt	0	260	431	<b>691</b>
	Fines	wmt	0	133	252	<b>385</b>
	<b>Total</b>	wmt	0	393	683	<b>1,076</b>
<b>Transport to Perenjori Railhead</b>						
	Lump	wmt	0	154	429	<b>583</b>
	Fines	wmt	0	62	258	<b>320</b>
	<b>Total</b>	wmt	0	216	687	<b>903</b>
<b>Transport to Geraldton Port</b>						
	Lump (Rail)	wmt	0	125	192	<b>317</b>
	Lump (Road)		0	0	62	<b>62</b>
	Fines (Rail)	wmt	0	0	159	<b>159</b>
	<b>Total</b>	wmt	0	125	413	<b>538</b>
<b>Shipping</b>						
	Lump	wmt	0	121	184	<b>305</b>
	Fines	wmt	0	0	122	<b>122</b>
	<b>Total</b>	wmt	0	121	306	<b>427</b>

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## ***Tallering Peak***

Waste material movement for the quarter was 15% above the previous quarter, with ore mined 68% below the previous quarter. The increased waste movement reflected a revision of mine scheduling to rebalance ore development and production, and reduced shipping capacity from shared facilities at Geraldton Port.

A pit wall slip occurred during the quarter on the south eastern side of the pit. The slip resulted in a minor disruption to operations and caused neither injury nor damage to equipment (refer Figures 4, 5).

Radar monitoring of the pit wall continues on the area immediately adjacent to the pit slip. Systematic installations of wall reinforcement and wall control during blasting are in place.

Plans have been developed to regain access to ore in the affected area and recovery actions are underway. Minimal impact is currently expected as a result of the slip, however the situation is being monitored for any unexpected changes.

During the quarter some high grade ore was sourced from the pit and blended with existing stockpiles. Waste movements focused on developing the cutback and backfilling old pits.

Crusher throughput, road haulage and rail haulage were significantly lower as a result of the revised mining and shipping schedule relative to the previous quarter. The quarterly production for waste mining was in line with reforecast quantities, and will provide improved ore access during the June quarter.

Enhanced recruitment during the quarter also achieved necessary manning levels in key production areas.

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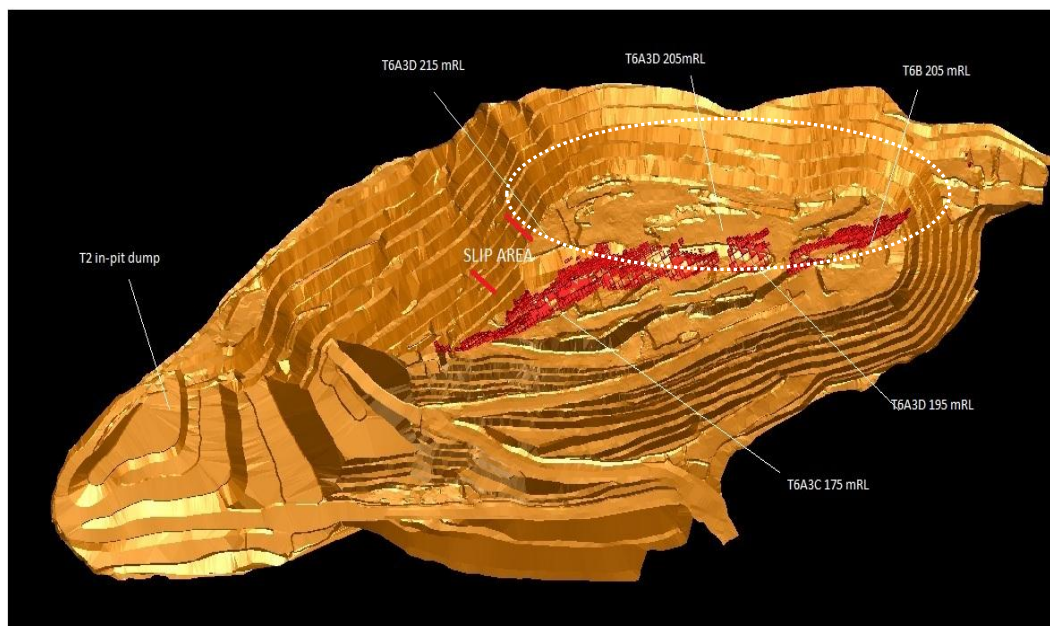
Tallering Peak production for the March Quarter 2012 is detailed in the following table:

			Sept-11	Dec-11	Mar-11	Total 11-12
			Qtr	Qtr	Qtr	Qtr
			000's	000's	000's	000's
<b>Mining</b>						
	Waste Mined	bcm	1,658	1,341	1,543	<b>4,541</b>
	Ore Mined	wmt	694	546	177	<b>1,417</b>
<b>Crushing</b>						
	Lump	wmt	479	398	83	<b>960</b>
	Fines	wmt	329	266	53	<b>647</b>
	<b>Total</b>	wmt	<b>808</b>	<b>664</b>	<b>136</b>	<b>1,607</b>
<b>Transport to Mullewa Railhead</b>						
	Lump	wmt	469	403	68	<b>941</b>
	Fines	wmt	327	230	60	<b>617</b>
	<b>Total</b>		<b>796</b>	<b>633</b>	<b>128</b>	<b>1,557</b>
<b>Transport to Geraldton Port</b>						
	Lump	wmt	305	241	133	<b>679</b>
	Fines	wmt	369	114	54	<b>537</b>
	<b>Total</b>		<b>674</b>	<b>355</b>	<b>187</b>	<b>1,216</b>
<b>Shipping</b>						
	Lump	wmt	351	240	121	<b>712</b>
	Fines	wmt	409	117	59	<b>585</b>
	<b>Total</b>	wmt	<b>760</b>	<b>357</b>	<b>180</b>	<b>1,297</b>

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*Figure 4 - Main Range pit at the end of March 2012. The ore zone is shown in red.*



*Figure 5 - Main Range pit looking west from the T2 backfill waste dump at the end of March 2012. The main area of activity during the March quarter is circled.*

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## EXPLORATION

### *Koolan Island*

Activity for the quarter focused on infill drilling the Arbitration Cove area of the Main Pit resource for mine planning and future reserve estimations. Holes were drilled using Reverse Circulation (RC) and Diamond drilling methods, with a total 3300 metres drilled over 20 holes (refer Figure 6).

Results to date have confirmed the geometry of the Main Pit mineralised zone continues at depth, with drill intercepts of greater than 40 metres averaging grades consistently over 66% Fe. Geology of the mineralised zone consists of very fine grained friable sandstone with iron replacement, fine to medium grained moderately hard sandstone, and a moderately hard conglomerate of assorted sized granules from fine grained through to vuggy large clasts derived from pebbles.

Core from the diamond drilling program is also undergoing geotechnical assessment. Five of 21 planned holes were drilled by the end of the quarter.

Assay results have been received for all RC holes completed, with 13 holes of 15 drilled encountering significant mineralization (>55% Fe).

Significant intersections returned from drilling during the quarter include:

PKRC1515: 30m @ 65.90% Fe from 179 metres downhole  
PKRC1517: 36m @ 67.72% Fe from 101 metres downhole  
PKRC1523: 30m @ 67.47% Fe from 102 metres downhole  
PKRC1524: 41m @ 66.96% Fe from 134 metres downhole  
PKRC1525: 35m @ 68.05% Fe from 111 metres downhole

Results from the 15 holes completed during the quarter are indicated in the table on the following page:

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## Significant assay results (>55% Fe) from RC drilling at Arbitration Cove Main Pit

SIGNIFICANT INTERCEPTS FE>55%									
HoleID	from	to	Width (m)	Fe%	SiO2%	Al2O3%	P%	LOI%	EOH DEPTH
PKRC1515	179	209	30	65.90	3.21	1.08	0.011	0.74	216
	212	216	4	61.60	10.83	0.51	0.007	0.36	
PKRC1516	175	180	5	67.92	1.302	0.39	0.004	0.44	206
	187	206	19	66.16	4.22	0.41	0.004	0.26	
PKRC1517	101	137	36	67.72	1.45	0.50	0.006	0.50	150
PKRC1518	120	138	18	68.91	0.57	0.34	0.005	0.21	138
PKRC1519	Not sampled - redrilled as PKRC1521								18
PKRC1520	108	149	41	64.38	5.53	0.76	0.007	0.53	150
PKRC1521	94	125	31	66.46	2.83	0.70	0.007	0.47	138
PKRC1522	115	145	30	66.97	2.60	0.60	0.005	0.48	156
	153	156	3	64.63	6.10	0.34	0.005	0.23	
PKRC1523	102	132	30	67.47	2.07	0.62	0.007	0.39	132
PKRC1524	134	175	41	66.96	3.00	0.43	0.005	0.28	175
PKRC1525	111	146	35	68.05	1.19	0.33	0.007	0.22	150
PKRC1526	Not sampled - redrilled as PKRC1527								116
PKRC1527	112	139	27	67.62	0.93	0.59	0.013	0.35	156
	146	150	4	61.33	10.10	0.69	0.008	0.31	
PKRC1528	167	184	17	66.09	2.176	1.20			184
PKRC1529	182	197	15	64.07	6.416	0.58	0.010	0.41	197

### Acacia West

No additional exploration drilling was carried out at Acacia West during the quarter due to the wet season restricting access. The high grade mineralisation is open to the west where it is covered by the northern extremities of the WD1 waste dump.

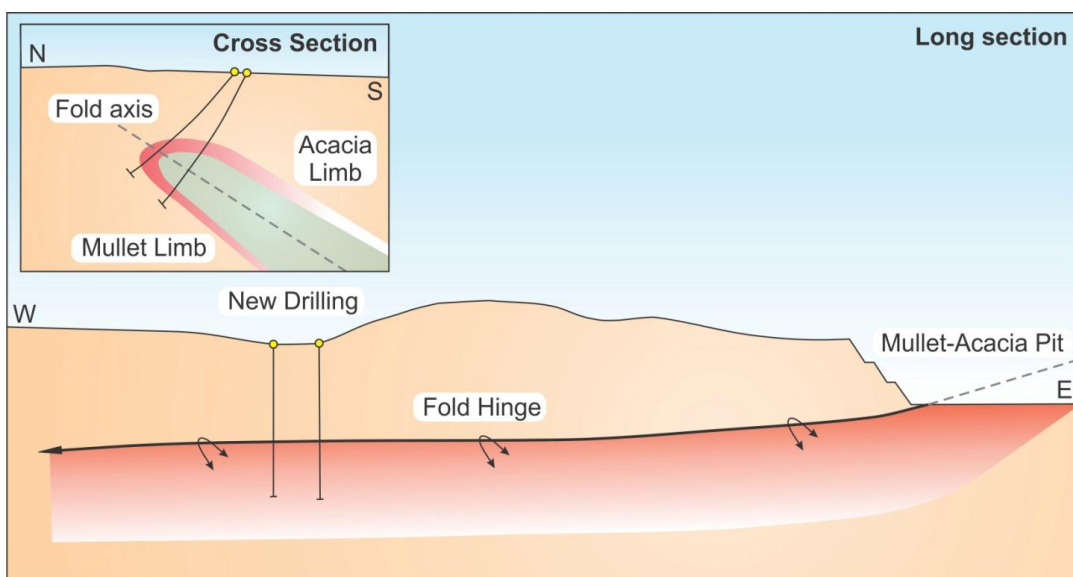
The interpreted mineralised envelope contains high grade massive hematite starting at approximately 90 to 120 metres below the topographic surface. Additional drilling of similar intercepts is required before resource estimation can be considered.

Further drilling at Acacia West is planned for the June quarter 2012 (refer Figure 7).

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**Figure 6** - Collar locations of previous and planned drilling in Main Pit. Collar locations of RC resource infill holes drilled in January to March 2012 are shown in yellow, diamond holes are shown in red.



**Figure 7** - Schematic Long Section and Cross Section (insert) of the Acacia West mineralised zone. The mineralised zone is a recumbent anti-form shown in pink.

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## ***Tallering Peak***

Exploration plans for a 50 hole drilling program at the T1 prospect have been completed. Drilling is expected to be undertaken in the June quarter pending government approvals.

## **CORPORATE**

On 9 February 2012, the company reported a net profit of \$121.2 million for the half-year ended 31 December 2012. The company declared a maiden interim dividend of 2 cents per share, fully franked, which was paid on 20 April 2012.

The interim profit was achieved on revenue of \$376.9 million, a decrease of 1.4% from the same period in 2010, with higher realised prices offsetting a 12.3% reduction in tonnes sold. The reported net profit was 13.4% lower than in the previous corresponding half.

Renewal of the Mount Gibson Board and executive management team continued during the March quarter.

In February 2012, Simon Bird was appointed as an independent non-executive director. Mr Bird is a senior Australian business executive with 27 years of international finance experience. Currently Chief Executive Officer of ASX-listed King Island Scheelite Ltd, which is developing tungsten mines in Tasmania, Mr Bird is a former General Manager Finance for property group Stockland Ltd and a former Chief Financial Officer at grain exporter GrainCorp Ltd.

Mr Bird is the third new independent director to be appointed to the board since November 2011.

The company's corporate governance processes were further strengthened during the quarter by the formal establishment of a governance committee, comprising the company's independent directors, to oversee all contractual matters and agreements between Mount Gibson and its major shareholders. The committee is chaired by independent non-executive director Paul Douglas, who was appointed to the board in November 2011.

In February, Li Shou Feng succeeded Cao Zhong as a non-executive director of Mount Gibson, representing major shareholder Shougang Fushan Resources Corporation.

Mount Gibson's executive management team was also strengthened during the quarter.

On 30 March 2012, the company announced the appointment of David Stokes as Company Secretary and General Counsel. Mr Stokes was formerly Company Secretary and General Counsel at Gindalbie Metals Ltd and has extensive corporate governance and resources sector experience.

To better align management capabilities with the company's expanded operations base and long term growth objectives, dedicated managers were appointed to the key areas of human resources and external relations, while a new general manager was appointed for the flagship Koolan Island operation.

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The process to appoint a permanent Chief Executive Officer advanced during the period, and is expected to be finalised during the June quarter. An executive search to recruit a suitably qualified successor to Chief Financial Officer Alan Rule, who will be stepping down in early July, is also well advanced.

## 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 Australasian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Mining Limited, 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.

The information in this report relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, 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". Rolf Forster 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 Mining Reserves is based on information compiled by Rolf Forster and Weifeng Li, who are both members of the Australasian Institute of Mining and Metallurgy. Rolf Forster and Weifeng Li are consultants to Mount Gibson Mining Limited, and have sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to each 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". Rolf Forster and Weifeng Li have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

**Jim Beyer**  
**Acting Chief Executive Officer**

**27 April 2012**