Mount Gibson Iron Limited
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ASX ANNOUNCEMENT

19 February 2013

Interim Profit Result for 6 months to 31 December 2012

& declaration of Interim Dividend

KEY POINTS

(All figures in Australian dollars unless stated otherwise)

- Interim net profit after tax of $37.1 million on sales revenue of $416.2 million, reflecting lower realised iron ore prices, broader product mix, and early adoption of new waste accounting requirements.
- Net operating cash flow of $43.1 million compared with negative operating cash flow of $67 million in the immediately preceding six month period (to 30 June 2012).
- Interim cash dividend declared of 2.0 cents per share fully franked.
- Record interim sales volumes of 4.43 million wet metric tonnes (wmt) including first sales of low grade ore and mineralised waste.
- In a period in which the average Platts 62% Fe CFR price fell 26.9% to US$117/dry metric tonne from US$160/dmt in the previous corresponding period, Mount Gibson realised:
  - An average price of US$102/dmt Free on Board (FOB) for standard MGX fines (pcp:US$132/dmt)
  - A weighted average price of A$94/wmt FOB for all products, including sales of low-grade ore and mineralised waste (prior corresponding period:A$132.79/wmt).
- Total Cost of Goods Sold of $78.90/wmt, including royalties (pcp: $64.27/wmt)
- $279 million in cash and term deposits, and no corporate debt

Results for six months ended 31 December 2012 compared with the prior corresponding six month period:		**6 months ended 31 Dec 2012**	**6 months ended 31 Dec 2011***
Tonnes mined	*wmt (mill)*	**3.57**	3.55
Tonnes sold	*wmt (mill)*	**4.43**	2.84
Average Realised price	*$ / wmt sold*	**94.0**	132.8
Sales revenue	*$ mill*	**416.2**	376.9
Interest income	*$ mill*	**5.9**	11.2
Cost of goods sold	*$ mill*	**(349.3)**	(182.4)
Gross profit	*$ mill*	**72.8**	205.6
Admin and other expenses/income	*$ mill*	**(15.8)**	(12.9)
Finance costs	*$ mill*	**(3.8)**	(4.3)
Profit before tax	*$ mill*	**53.2**	188.5
Tax (expense)	*$ mill*	**(16.1)**	(58.6)
Net profit after tax	*$ mill*	**37.1**	129.9

*Restated to reflect new accounting requirements for deferred waste stripping

Summary

Mount Gibson Iron Limited (**Mount Gibson**) recorded a net profit after tax of $37.1 million in the six months to 31 December 2012, reflecting lower prevailing prices and broader product mix during the period. Sales revenue totalled $416.2 million, and total revenue totalled $422.0 million, an increase of 10.4% and 8.8% respectively compared with the previous corresponding period in 2011.

Total sales volumes increased 56% from the prior corresponding period to a record 4.43 million wmt, including the Company's first sales of low-grade ore and mineralised waste, which totalled 398,000 wmt for the half. The Company remains on track to achieve targeted sales of 8.0 to 8.5 million tonnes in the year to 30 June 2013.

While sales volumes were at record levels, reported net earnings were significantly lower than in the prior corresponding period reflecting the substantial deterioration in iron ore prices and volatile market conditions during the September quarter of 2012.

Between July and early September, the benchmark Platts 62% Fe index price fell approximately 35% to a three year low of US$89/dmt before recovering substantially by the end of December. The average Platts 62% Fe CFR price in the period was US$117/dmt, 26.9% lower than the US$160/dmt average in the previous corresponding period.

Reported earnings were also impacted by the early adoption of new accounting requirements governing the treatment of deferred waste stripping, which become compulsory for ASX-listed companies for financial years commencing on or after 1 January 2013.

These new requirements apply to the treatment of waste mining costs incurred in the operating phase of an open pit mine. The new accounting requirements permit the capitalisation of waste mining costs to the extent that the amount of waste mined in any period is in excess of the average waste to ore strip ratio for the particular deposit or orebody component being mined. Amounts capitalised are amortised on a units of production basis over the remaining reserves of the relevant deposit or component. To enable a like-for-like comparison, the table on the preceding page indicates interim earnings for the previous corresponding period in 2011 as would have been reported under the new accounting requirements.

Adoption of the new accounting requirements has no impact on operating cash flow, which recovered strongly from the immediately preceding six month period. Net operating cash flow during the six month period totalled $43.1 million, compared with negative cash flow of $67.0 million in the six months to 30 June 2012, and total net operating cash flow of $56.1 million for the whole of the 2011-12 financial year.

This reflected Mount Gibson's business-wide optimisation program in the half year, including the completion of port and rail upgrades in the Mid West, delivering significantly improved operating performances and reduced cash expenditure at each site.

At the end of December, cash and term deposits totalled $279 million, compared with $293 million at 30 June 2012. The movement in cash reserves reflected lower iron ore prices, and substantial non-operating cash outlays during the half-year for corporate income tax instalments ($28 million), dividends ($18 million), final capital expenditure on the port upgrade ($11 million), extra-ordinary capital expenditure at Koolan Island ($7 million), and other non-recurring expenses ($6 million).

Mount Gibson has declared an interim fully franked cash dividend of 2.0 cents per share, with a record date of 28 March and payable on 15 April 2013. The Company has also suspended the operation of the Dividend Reinvestment Plan (DRP) and it will not apply to this interim dividend. In addition, Mount Gibson advises that it will move to a single annual dividend payment after the current financial year. This will enable the payment of a single final dividend based on a full year's financial result.

Cost Performance

Total Cost of Goods Sold (COGS) averaged $78.90/wmt for the period, compared with $64.27/wmt in the prior corresponding half. COGS includes cash and non-cash costs, including mining, depreciation of plant and equipment, amortisation of deferred waste stripping and mine development balances, crushing, transport and state government royalties. The rise reflects an increase in the amount of waste mining costs recognised in COGS under the new accounting requirements.

Mount Gibson is highly leveraged to increased iron ore prices, which will deliver stronger financial results should current prices prevail for the remainder of the financial year.

Koolan Island optimisation study

In October, Mount Gibson announced the deferral of approximately $80-100 million of waste stripping scheduled to occur at Koolan Island during the current financial year.

The timing of the resumption of this deferred stripping activity will be determined by an ongoing study to identify the optimum production profile, with a range of scenarios under evaluation up to a maximum of 4 million tonnes per annum.

Mount Gibson had expected to complete this study by the end of February. However, the Company is now undertaking a final optimisation to account for the significantly stronger iron ore market conditions since the end of 2012, which may facilitate an earlier resumption of waste stripping and production ramp up.

Mount Gibson anticipates completing and announcing the results of this final review in the current quarter.

Comment

Chief Executive Officer Jim Beyer said the interim net profit of $37.1 million reflected the challenging and volatile conditions experienced during the half.

"The extreme price volatility experienced during the second half of 2012 underlines the importance of our focus on business optimisation, operational agility and cost reduction, in order that our business can remain robust even in times of high volatility," he said.

"This focus has already delivered greater operational predictability, and we are confident of achieving further improvements over the coming months.

"Together with our healthy balance sheet, this allows us to better capture the benefits of the stronger iron ore prices which are currently prevailing."

Chairman Geoff Hill said: "The Board of Mount Gibson believes in rewarding shareholders when the Company can afford to do so and I am very pleased to maintain our record of strong dividend payments with an interim fully franked distribution of 2 cents per share.

"Although conditions remain volatile and challenging, the Company's commitment to continuous improvement provides us with a strong platform to build long term value for all shareholders."

The Appendix 4D and half year financial statements are attached.

For further information:

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APPENDIX 4D

31 DECEMBER 2012 HALF-YEAR FINANCIAL STATEMENTS
This Half Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period: 31 December 2012

Previous Corresponding Period: 31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ mill
Revenue from ordinary activities	Up 10.4% to	$416.2
Profit from ordinary activities after tax attributable to members	Down 71.4% to	$37.1
Net profit for the period attributable to members	Down 71.4% to	$37.1

DIVIDENDS

Since the end of the half-year, Mount Gibson has declared an interim fully-franked dividend on ordinary shares in respect of the 2012 financial year of A$0.02 per share.

NET TANGIBLE ASSET BACKING

Consolidated Entity		2012	2011
Net tangible assets excluding Mine Properties	*A$ mill*	446.3	398.3
Fully paid ordinary shares on issue at Balance Date		1,090,584,232	1,082,570,693
Net tangible asset backing per issued ordinary share as at balance date (cents)	*c/share*	40.9	36.8

DETAILS OF ENTITIES OVER WHICH CONTROL GAINED OR LOST DURING THE PERIOD

None.

STATUS OF AUDIT

This Half Year Report is based on accounts that have been reviewed.

COMMENTARY

It is recommended that the half-year report is read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited for the year ended 30 June 2012 together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

Financial Report

For the half-year ended 31 December 2012

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2012 for the Group incorporating Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson")** and the entities that it controlled during the half-year ("**Group**").

CURRENCY

Amounts in this report and the accompanying financial report are presented in Australian dollars unless otherwise stated.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Geoffrey Hill	*Non-Executive Chairman*
Alan Jones	*Non-Executive Director*
Chen Zhouping	*Non-Executive Director*
Lee Seng Hui	*Non-Executive Director*
Li Shaofeng	*Non-Executive Director*
Russell Barwick	*Non-Executive Director*
Simon Bird	*Non-Executive Director*
Paul Dougas	*Non-Executive Director*

David Stokes is the Company Secretary. Jim Beyer is the Chief Executive Officer.

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated half-year financial report incorporating the entities that it controlled during the half-year.

Nature of Operations and Principal Activities

The principal activities of the entities within the Group are:

- mining and shipment of hematite iron ore deposits at Koolan Island;
- mining of hematite iron ore deposits at Tallering Peak and road and rail haulage to Geraldton Port;
- mining of hematite iron ore deposits at Extension Hill and road and rail haulage to Geraldton Port;
- storage and shipment of iron ore from Geraldton Port; and
- exploration and development of hematite iron ore deposits at Koolan Island and in the Mid-West region of Western Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shipments by the Group for the half-year period totalled 4.4 million tonnes of iron ore, an increase of 86% over the immediately preceding six month period. Total shipments included two cargoes of low grade lump ore from the Tallering Peak mine and four cargoes of mineralised waste from the Koolan Island mine, with a combined tonnage of 398,000 tonnes.

Key sales statistics are tabulated below:

	December 2012 Half Year	December 2011 Half Year
Standard Product Sales ('000 wmt)	4,029	2,838
Low grade/mineralised waste sales ('000 wmt)	398	-
Total Ore Sales ('000 wmt)	4,427	2,838
Average Platts 62% Fe CFR northern China price (US$/dmt)	117	160
MGX Free on Board (FOB) average realised fines price* (US$/dmt)	102	132

* MGX's realised FOB fines price reflects adjustments for shipping, iron ore grade and impurities penalties. Most contracts in the period were based on lagging monthly average prices. Average realised price excludes low-grade and mineralised waste sales. '000 wmt = thousand wet metric tonnes. US$/dmt = USD per dry metric tonne.

Mount Gibson achieved an average realised fines price, excluding sales of low grade and mineralised waste, of US$102 per dry metric tonne Free on Board (FOB) during the half-year. The December half-year average Platts CFR price (where the iron ore supplier pays freight costs) for 62% Fe fines delivered to China was US$117/dmt. During the period, a number of contracts were migrated from lagging-month to current month pricing arrangements. Mount Gibson expects the majority of its contracts to have moved to current month pricing arrangements by the end of March 2013.

Cash and term deposits were $279 million as at 31 December 2012. Higher sales volumes in the six months to 31 December 2012 were offset by the significant decline in iron ore prices between July and early September 2012, and substantial non-operating cash outlays during the half-year for corporate income tax instalments ($28 million), dividends ($18 million), final capital expenditure on the port upgrade ($11 million), extra-ordinary capital expenditure at Koolan Island ($7 million), and redundancy and other non-recurring expenses ($6 million).

Mount Gibson remains on track to achieve its target of eliminating or deferring $120 million to $150 million in capital and operating expenditure from its original budget estimates for the 2012/13 financial year following the implementation of business optimisation initiatives announced in October 2012. The significant manpower reduction program announced in October was completed during the half-year. Of the targeted savings, $40 million to $50 million, or one third of the total, is expected to be a permanent ongoing saving, 80% of which will come from lower operating costs, such as better equipment productivity, with the remainder coming from ongoing reductions in capital expenditure. The remaining two thirds, being $80 million to $100 million, relates to the deferral of waste stripping at Koolan Island. The timing of this waste stripping expenditure will be dependent upon the upcoming results of the Koolan Island optimisation program.

In support of these cost reduction initiatives, the Board and senior executive management of Mount Gibson has agreed to a 10% reduction in the total Board and executive remuneration package for the 2012/13 financial year.

Cost reduction remains a key continuing focus across the business, and is central to Mount Gibson's approach to maximising cash flow and profitability in a volatile pricing environment.

DIVIDENDS

Dividends totalling $21,714,568 (equating to $0.02 per share) were declared and paid during the half-year period by way of cash ($18,192,154) and the issue of 4,855,802 new shares under the Company's Dividend Reinvestment Plan.

On 18 February 2013, the Company declared an interim cash dividend on ordinary shares in respect of the 2012/13 financial year of $0.02 per share fully franked. The total amount of the dividend is $21,811,685. The dividend has not been provided for in the 31 December 2012 financial statements.

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Period

Summarised operating results for the Group for the half-year ended 31 December 2012 were:

	CONSOLIDATED	
	31 December 2012 $'000	**31 December 2011 Restated* $'000**
Operating profit from Continuing Operations before tax	**53,246**	**188,512**
Taxation expense	(16,149)	(58,581)
Net profit after tax attributable to Members of the Company	**37,097**	**129,931**

Tallering Peak Hematite Operations

The Tallering Peak mine performed well in the half-year reflecting the operational changes implemented mid-way through the period and improved rail availability following the completion of regional rail upgrades. Mining movements were down on rates achieved in the December 2011 half-year, and the transport of ore and shipping levels were in line with the previous corresponding half-year.

Ore production totalled 1.2 million tonnes, and crusher throughput was 1.2 million tonnes. Road and rail haulage was 1.0 million tonnes. Shipping was slightly above the prior corresponding period at 1.2 million tonnes.

At the end of December, approximately 270,000 tonnes of crushed standard product were stockpiled at the mine, in addition to stockpiles of approximately 132,000 tonnes of uncrushed standard product. Uncrushed stocks of low grade ore at the mine totalled approximately 440,000 tonnes. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 285,000 tonnes, while stockpiles of crushed low grade material totalled approximately 770,000 tonnes.

Significant progress was made on rehabilitation of the existing waste dumps during the quarter.

TALLERING PEAK PRODUCTION SUMMARY	Unit	Sept Quarter 2012 '000	Dec Quarter 2012 '000	Dec Half-Year 2012 '000	Dec Half-Year 2011 '000	*% incr / (decr)*
Mining						
- Waste Mined	*wmt*	3,076	1,387	**4,463**	**8,635**	***(48.3%)***
- Ore Mined	*wmt*	558	627	**1,185**	**1,240**	***(4.4%)***
Crushing						
- Lump	*wmt*	320	420	**740**	**877**	***(15.6%)***
- Fines	*wmt*	184	252	**436**	**595**	***(26.7%)***
Total	*wmt*	**504**	**672**	**1,176**	**1,472**	***(20.1%)***
Transport to Mullewa Railhead						
- Lump	*wmt*	275	389	**664**	**872**	***(23.9%)***
- Fines	*wmt*	140	225	**365**	**557**	***(34.5%)***
Total	*wmt*	**415**	**614**	**1,029**	**1,429**	***(28.0%)***
Transport to Geraldton Port						
- Lump	*wmt*	260	449	**709**	**546**	***29.9%***
- Fines	*wmt*	154	150	**304**	**483**	***(37.1%)***
Total	*wmt*	**414**	**599**	**1,013**	**1,029**	***(1.6%)***
Shipping						
- Lump	*wmt*	275	592	**867**	**591**	***46.7%***
- Fines	*wmt*	113	178	**291**	**526**	***(44.7%)***
Total	*wmt*	**388**	**770**	**1,158**	**1,117**	***3.7%***

Expenditure on waste development at Tallering Peak during the half-year was as follows:

TALLERING PEAK		6 Months ended 31 Dec 2012	6 Months ended 30 June 2012	6 Months ended 31 Dec 2011
Waste mined	*mill bcm*	1.49	2.77	3.00
Waste mined	*mill wmt*	4.46	8.25	8.64
Ore mined	*mill bcm*	0.29	0.17	0.30
Ore mined	*mill wmt*	1.19	0.71	1.24
Deferred waste capitalised	*$ mill*	3.81	42.08	24.58
Amortisation of deferred waste	*$ mill*	(37.03)	(6.50)	-

Koolan Island Hematite Operations

Ore shipments from Koolan Island during the half-year totalled 2.1 million tonnes, being 30% higher than the previous corresponding period and including four shipments of mineralised waste totalling 283,000 tonnes.

Ore production was slightly down on the prior corresponding period, while crushing was 13% higher at 1.7 million tonnes, including mineralised waste.

The revised production and sales schedule implemented in the quarter also significantly reduced the amount of crushed ore held in stockpiles compared with the previous quarter. At the end of the half-year, crushed ore stockpiles totalled approximately 400,000 tonnes of standard product. A further 85,000 tonnes of direct shipping ore was stockpiled ready for crushing.

Waste movement was 28% lower than in the prior corresponding half-year, reflecting the operational changes announced in October 2012.

The Koolan Island mine optimisation study to determine the optimum mining and waste-stripping profile for the operation advanced significantly during the quarter. Mount Gibson expects to complete and announce the outcomes of this work in February. Preparing for the onset of the cyclone season is a key focus of activity heading into the current quarter.

KOOLAN PRODUCTION SUMMARY	Unit	Sept Quarter 2012 '000	Dec Quarter 2012 '000	Dec Half-Year 2012 '000	Dec Half-Year 2011 '000	% *incr / (decr)*
Mining						
- Waste mined	*wmt*	5,373	2,668	**8,041**	**11,330**	***(29.1%)***
- Ore mined	*wmt*	555	707	**1,262**	**1,412**	***(10.6%)***
Crushing						
- Lump	*wmt*	232	254	**486**	**674**	***(27.9%)***
- Fines	*wmt*	561	659	**1,220**	**830**	***47.0%***
Total		**793**	**913**	**1,706**	**1,504**	***13.4%***
Shipping						
- Lump	*wmt*	151	364	**515**	**650**	***(20.8%)***
- Fines	*wmt*	635	934	**1,569**	**950**	***65.2%***
Total		**786**	**1,298**	**2,084**	**1,600**	***30.3%***

Expenditure on waste development at Koolan Island during the half-year was as follows:

KOOLAN ISLAND		**6 Months ended 31 Dec 2012**	**6 Months ended 30 June 2012**	**6 Months ended 31 Dec 2011**
Waste mined	*mill bcm*	3.28	3.84	4.56
Waste mined	*mill wmt*	8.04	9.45	11.33
Ore mined	*mill bcm*	0.33	0.36	0.41
Ore mined	*mill wmt*	1.26	1.55	1.41
Deferred waste capitalised	*$ mill*	44.96	70.16	76.92
Amortisation of deferred waste	*$ mill*	(34.36)	(27.08)	(19.68)

Extension Hill Hematite Operations

Ore mining for the half-year totalled 1.1 million tonnes, 24% higher than the previous corresponding half-year period. Total tonnes crushed in the half-year more than tripled to 1.3 million tonnes, with road haulage and rail transport to the port also reflecting significant increases over the prior corresponding period as the mine was ramped up and regional rail upgrades were completed. Shipments increased to 1.2 million tonnes in the half-year, comprising 830,000 tonnes of lump and 355,000 tonnes of fines.

At the end of December, approximately 195,000 tonnes of crushed finished product was stockpiled at the mine, in addition to approximately 850,000 tonnes of uncrushed standard product stockpiled at the mine ready for crushing. Stockpiles of crushed finished product at the Perenjori rail siding totalled approximately 550,000 tonnes.

During the half-year, Mount Gibson continued to expand the customer base for Extension Hill product, delivering its first spot cargo of uncommitted Extension Hill ore to a new steel mill customer in China. The Company remains in discussions with a number of prospective offtake and spot customers regarding the approximately 20% of Extension Hill production that is currently uncommitted.

EXTENSION HILL PRODUCTION SUMMARY	**Unit**	**Sept Quarter 2012 '000**	**Dec Quarter 2012 '000**	**Dec Half-Year 2012 '000**	**Dec Half-Year 2011 '000**	***% incr / (decr)***
Mining						
- Waste Mined	*wmt*	927	595	**1,522**	**1,250**	***21.8%***
- Ore Mined	*wmt*	530	589	**1,119**	**903**	***23.9%***
Crushing						
- Lump	*wmt*	387	371	**758**	**260**	***191.5%***
- Fines	*wmt*	246	295	**541**	**133**	***306.8%***
Total	*wmt*	**633**	**666**	**1,299**	**393**	***230.5%***
Transport to Perenjori Railhead						
- Lump	*wmt*	428	339	**767**	**154**	***398.1%***
- Fines	*wmt*	166	285	**451**	**62**	***627.4%***
Total	*wmt*	**594**	**624**	**1,218**	**216**	***463.9%***
Transport to Geraldton Port						
- Lump	*wmt*	464	410	**874**	**125**	***599.2%***
- Fines	*wmt*	61	320	**381**	**-**	***100.0%***
Total	*wmt*	**525**	**730**	**1,255**	**125**	***904.0%***
Shipping						
- Lump	*wmt*	469	361	**830**	**121**	***586.0%***
- Fines	*wmt*	116	239	**355**	**-**	***100.0%***
Total	*wmt*	**585**	**600**	**1185**	**121**	***879.3%***

Expenditure on waste development at Extension Hill during the half-year was as follows:

EXTENSION HILL		6 Months ended 31 Dec 2012	6 Months ended 30 June 2012	6 Months ended 31 Dec 2011
Waste mined	*mill bcm*	0.60	1.36	0.49
Waste mined	*mill wmt*	1.52	2.10	1.25
Ore mined	*mill bcm*	0.38	0.49	0.31
Ore mined	*mill wmt*	1.12	1.47	0.90
Deferred waste capitalised	*$ mill*	-	-	-
Amortisation of deferred waste	*$ mill*	-	-	-

CORPORATE

Agreement to acquire Mid-West exploration package

On 20 December 2012, Mount Gibson announced it had reached agreement with Royal Resources Ltd to acquire a substantial exploration landholding at Field's Find, 60 kilometres north of Mount Gibson's Extension Hill iron ore mine. The proposed acquisition is subject to Mount Gibson's due diligence reviews and is consistent with the Company's stated strategy to expand its exploration footprint around its existing Mid-West iron ore operations and transport infrastructure.

Rizhao Steel

During the half-year, Mount Gibson and Rizhao Steel worked together to successfully conclude an acceptable resolution of a dispute regarding a contract to supply mineralised waste from the Koolan Island mine. Details of the dispute were disclosed in Mount Gibson's financial accounts for the year ended 30 June 2012 released to shareholders on 23 August 2012. Under the contract with Rizhao, Mount Gibson is required to supply 1.7 million tonnes of mineralised waste from Koolan Island over a three year period. Shipments of mineralised waste commenced during the half-year.

Income Tax

Mount Gibson has in prior periods had the benefit of taxation arrangements for the treatment of provisional invoices for the sale of iron ore. These arrangements have now ended and, accordingly, revenue which was previously deferred for tax purposes from the prior financial year will be assessed in the current financial year. The expected corporate taxation arising from cessation of the previous arrangements has been reflected in the half-year financials.

Early adoption of new Deferred Waste Stripping requirements

Mount Gibson has elected to early adopt the new Australian and international accounting requirements for waste stripping activities in the operating phase of an open pit mine. The new accounting requirements result in the capitalisation of only a portion of waste stripping costs where the benefit of such stripping activity is the improved access to components of the orebody in future periods. Capitalised waste stripping costs are amortised over the remaining ore reserves of the relevant ore component being mined. In accordance with the transitional provisions of the new requirements, this new policy has been applied from the start of the prior comparative period, being 1 July 2011, resulting in the restatement of prior period results.

Minerals Resource Rent Tax (MRRT)

Based on updated internal modelling, Mount Gibson does not currently expect to pay any MRRT over the life of its current operating mines. It is expected that Mount Gibson will utilise a portion of its MRRT starting base allowances to offset any MRRT which might otherwise arise and, accordingly, a deferred tax asset and a corresponding reduction in tax expense has been recognised in the half-year. Mount Gibson's accounting treatment relating to MRRT remains dependent on future iron ore prices, foreign exchange rates and operating costs.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 18 February 2013, the Company declared an interim cash dividend on ordinary shares in respect of the 2012/13 financial year of $0.02 per share fully franked. The total amount of the dividend is $21,811,685. The dividend has not been provided for in the 31 December 2012 financial statements.

Other than as set out above, as at the date of this report, there are no significant events after balance date of the Group that require adjustment of or disclosure in this report.

ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached independence declaration from the auditor of the Company on page 9, which forms part of this report.

Signed in accordance with a resolution of the Directors.

Simon Bird
Non-Executive Director
18 February 2013

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Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

In relation to our review of the financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Peter McIver

P McIver
Partner
Perth
18 February 2013

PM:MM:MOUNTGIB:024

Consolidated Income Statement

For the half-year ended 31 December 2012

	Notes	31 December 2012 $'000	31 December 2011 Restated* $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	416,181	376,864
Other revenue	3[a]	5,857	11,187
TOTAL REVENUE		**422,038**	**388,051**
Cost of sales	3[d]	(349,270)	(182,409)
GROSS PROFIT		**72,768**	**205,642**
Other income	3[b]	225	53
Foreign exchange derivatives mark-to-market gain/(loss)		-	-
Exploration expenses	3[e]	(28)	(3)
Administration expenses	3[e]	(15,955)	(12,920)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND FINANCE COSTS		**57,010**	**192,772**
Finance costs	3[c]	(3,764)	(4,260)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**53,246**	**188,512**
Income tax (expense)		(16,149)	(58,581)
NET PROFIT FOR THE PERIOD AFTER INCOME TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY		**37,097**	**129,931**

Earnings per share for profit attributable to the ordinary equity holders of the Parent:	**Cents per share**	**Cents per share**
- basic earnings per share	3.41	12.00
- diluted earnings per share	3.41	12.00

*Certain numbers shown here do not correspond to the 31 December 2011 half-year financial statements and reflect adjustments made as detailed in note 2(b).

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2012

	31 December 2012 $'000	31 December 2011 Restated* $'000
NET PROFIT FOR THE PERIOD AFTER INCOME TAX	**37,097**	**129,931**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	(11,081)	309
Transferred to revenue in Income Statement	6,783	1,819
Deferred income tax on cash flow hedges	-	2,221
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(4,298)**	**4,349**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**32,799**	**134,280**

*Certain numbers shown here do not correspond to the 31 December 2011 half-year financial statements and reflect adjustments made as detailed in note 2(b).

Consolidated Balance Sheet

As at 31 December 2012

	Notes	31 December 2012 $'000	30 June 2012 Restated* $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	90,677	40,678
Term deposits		188,000	252,000
Trade and other receivables		36,104	23,792
Inventories		226,452	209,966
Prepayments		1,400	3,186
Derivatives		1,494	5,583
TOTAL CURRENT ASSETS		**544,127**	**535,205**
NON-CURRENT ASSETS			
Property, plant and equipment		277,014	283,381
Deferred acquisition, exploration, evaluation and development costs		5	344
Mine properties		639,657	673,058
Deferred income tax assets		38,319	2,889
TOTAL NON-CURRENT ASSETS		**954,995**	**959,672**
TOTAL ASSETS		**1,499,122**	**1,494,877**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		87,794	108,104
Unearned Revenue	10	12,467	14,426
Interest-bearing loans and borrowings	6	20,962	21,702
Derivative financial liabilities		600	393
Income tax payable		38,086	9,440
Provisions		8,947	10,603
TOTAL CURRENT LIABILITIES		**168,856**	**164,668**
NON-CURRENT LIABILITIES			
Provisions		78,480	78,098
Interest-bearing loans and borrowings	6	16,159	25,322
Deferred income tax liabilities		149,634	155,454
TOTAL NON-CURRENT LIABILITIES		**244,273**	**258,874**
TOTAL LIABILITIES		**413,129**	**423,542**
NET ASSETS		**1,085,993**	**1,071,335**
EQUITY			
Issued capital	7	568,233	564,710
Retained earnings		502,541	487,159
Reserves		15,219	19,466
TOTAL EQUITY		**1,085,993**	**1,071,335**

*Certain numbers shown here do not correspond to the 30 June 2012 full year financial statements and reflect adjustments made as detailed in note 2(b).

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2012

	Notes	31 December 2012 $'000	31 December 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		402,925	372,757
Payments to suppliers and employees		(331,038)	(249,548)
Interest paid		-	(53)
Income tax paid		(28,758)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		**43,129**	**123,156**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		7,544	10,153
Proceeds from sale of property, plant and equipment		15	505
Purchase of property, plant and equipment		(31,256)	(4,359)
Payment for term deposits		(270,000)	(72,000)
Proceeds from term deposits		334,000	-
Payment for deferred exploration, evaluation and development expenditure		(1,242)	3
Payment for mine development		(1,659)	(43,853)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**37,402**	**(109,551)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	7,004
Repayment of lease liabilities		(10,490)	(12,714)
Repayment of borrowings		(700)	(1,401)
Borrowing costs		(831)	(799)
Dividends paid		(18,192)	(43,303)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(30,213)**	**(51,213)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		50,318	(37,608)
Net foreign exchange difference		(319)	-
Cash and cash equivalents at beginning of period		40,678	117,007
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5[a]	**90,677**	**79,399**

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2012 Restated*

	Attributable to Equity Holders of the Parent					
	Issued Capital $'000	**Retained Earnings $'000**	**Share Based Payments Reserve $'000**	**Net Unrealised Gains / (Losses) Reserve $'000**	**Consolidation Reserve $'000**	**Total Equity $'000**
At 1 July 2011 – as previously reported	**561,585**	**585,718**	**18,991**	**3,439**	**(3,192)**	**1,166,541**
Change in accounting policy (note 2(b))	-	(195,616)	-	-	-	**(195,616)**
At 1 July 2011 – as restated	**561,585**	**390,102**	**18,991**	**3,439**	**(3,192)**	**970,925**
Profit for the period	-	129,931	-	-	-	**129,931**
Other comprehensive income	-	-	-	4,349	-	**4,349**
Total comprehensive income for the period	**-**	**129,931**	**-**	**4,349**	**-**	**134,280**
Transactions with owners in their capacity as owners						
- Share based payments / (reversing on forfeiture)	-	-	(243)	-	-	**(243)**
- Dividends paid	-	(43,303)	-	-	-	**(43,303)**
At 31 December 2011	**561,585**	**476,730**	**18,748**	**7,788**	**(3,192)**	**1,061,659**
At 1 July 2012 – as restated	**564,710**	**487,159**	**18,875**	**3,783**	**(3,192)**	**1,071,335**
Profit for the period		37,097				**37,097**
Other comprehensive income				(4,298)		**(4,298)**
Total comprehensive income for the period	**-**	**37,097**	**-**	**(4,298)**	**-**	**32,799**
Transactions with owners in their capacity as owners						
- Share based payments / (reversing on forfeiture)	-	-	51	-	-	**51**
- Shares issued	3,523	-	-	-	-	**3,523**
- Dividends paid	-	(21,715)	-	-	-	**(21,715)**
At 31 December 2012	**568,233**	**502,541**	**18,926**	**(515)**	**(3,192)**	**1,085,993**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2012

1. CORPORATE INFORMATION

The financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 18 February 2013.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The address of the registered office is Level 1, 2 Kings Park Road, West Perth, WA, 6005.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report:

- does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2012. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Stock Exchange Listing Rules;
- has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value; and
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the change arising due to the early adoption of AASB Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine" ("**Interpretation 20**").

Interpretation 20 clarifies when an entity should recognise production phase waste removal (stripping) costs (production stripping costs) incurred in relation to a surface mining operation as an asset. Such an asset will be referred to as a stripping activity asset. The interpretation has been adopted for the annual reporting period beginning on 1 July 2011 and has impacted the way in which the Group accounts for production stripping costs.

Prior to the issuance of Interpretation 20, the Group deferred all costs attributable to waste stripping and concurrently recognised as an expense the amortisation of capitalised waste stripping costs over the remaining ore reserves of the relevant mine. The amortisation rate was calculated based on the historical and estimated future waste mining costs.

The accounting treatment in accordance with Interpretation 20 differs from the Group's previous policy in that not all waste development costs are initially capitalised, and the capitalisation and amortisation of waste stripping costs is undertaken at the level of individual deposits or components thereof rather than on a whole-of-mine basis. In addition, specific transitional rules are provided to deal with any opening deferred stripping balances an entity may have recognised under its previous accounting policy.

In order to reflect the new requirements of Interpretation 20, the Group has adopted the following accounting policy:

Deferred Stripping (Waste Removal) Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development and production phases of its operations.

When stripping costs are incurred in the development phase of a mine before the production phase commences (development stripping), such expenditure is capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below.

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to initial development phase stripping. The costs of such stripping are accounted for in the same way as development stripping, as outlined above.

Waste development costs incurred in the production phase create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable;

b) The component of the orebody for which access will be improved can be accurately identified; and

c) The costs associated with the improved access can be reliably measured.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

In identifying components of the orebody, the Group works closely with its mining operations personnel to analyse its various mine plans. Mines may be divided into more than one ore component with deposits potentially comprising geographically separated components or major pushbacks forming part of a larger investment decision.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on the waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component average waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

The stripping activity asset is accounted for as an addition to “Mine properties” in the statement of financial position. This forms part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable. The stripping activity asset is carried at cost less amortisation and any impairment losses.

The stripping activity asset is subsequently amortised using the units of production method over the life of the identified component of the orebody that became more accessible as a result of the stripping activity.

A regular review is undertaken of each ore component to determine the appropriateness of continuing to carry forward costs in relation to that component. Should the carrying value of the expenditure not yet amortised exceed its estimated recoverable amount in any year, the excess is written off to the income statement.

Transition

Interpretation 20 is to be applied prospectively to production stripping costs incurred on or after the beginning of the earliest period presented, which for the Group is 1 July 2011. Any previously recognised asset balance(s) that resulted from stripping activity undertaken during the production phase (predecessor stripping asset) is reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the orebody with which the predecessor stripping asset can be associated. Such balances are then amortised over the remaining expected useful life of the identified component of the orebody to which each predecessor stripping asset balance relates.

If there is no identifiable component of the orebody to which the predecessor asset relates, it has been written off through opening retained earnings at the beginning of the earliest period presented, being 1 July 2011.

Impact as at transition date and on the comparative financial information

In accordance with the transitional provisions of Interpretation 20, this new policy has been applied prospectively from the start of the comparative period, being 1 July 2011. As a result of the adoption of Interpretation 20, the adjustments outlined below were made to the financial statements.

The Group has three mining operations, Tallering Peak, Koolan Island and Extension Hill, all of which are in the production phase. The Group had previously accounted for production stripping costs using a life-of-mine approach as explained above. As at 1 July 2011, the Group’s total deferred stripping balance was $427,650,000, of which

$116,499,000 related to Tallering Peak, $300,270,000 related to Koolan Island and $10,881,000 related to Extension Hill.

In applying the requirements of Interpretation 20, the Group has determined that, at the date of transition (i.e. 1 July 2011), Tallering Peak had three ore components, Koolan Island had five ore components and Extension Hill had one component.

Given the nature of the Group's mining operations and the way the Group plans to mine the remaining components of the orebodies, it has been determined that $279,451,000 of the predecessor stripping asset relates to components of the orebodies where the associated ore has already been extracted.

Accordingly, an amount of $279,451,000 ($195,616,000 net of tax) has been derecognised via opening retained earnings at the date of transition, 1 July 2011 (see adjustments below). Based on reasonable assumptions and guidance from technical personnel, the balance of the predecessor stripping asset amounting to $148,199,000 has been allocated to identified components and will be amortised over the remaining useful lives of these components using a units of production method.

The adoption of Interpretation 20 had the following impact at the transition date of 1 July 2011 and for the year ended 30 June 2012:

Description	**Previously Reported**	**Transition Adjustments**	**Adjustment due to Adoption of Interp. 20**	**Adjusted Balance**
Retained Earnings				
1 July 2011– opening balance	585,718	-	-	585,718
Derecognise opening deferred stripping balance	-	(279,451)	-	(279,451)
Tax effect at 30%	-	83,835	-	83,835
Adjusted opening retained earnings as at 1 July 2011	585,718	(195,616)	-	390,102
Mine Properties				
Stripping Activity Asset (included as part of Mine Properties)				
1 July 2011– opening balance	427,650	-	-	427,650
Derecognise opening deferred stripping balance	-	(279,451)	-	(279,451)
Additions under previous approach	384,326	-	(384,326)	-
Deferred stripping recognised in profit or loss	(230,772)	-	230,772	-
Sub total	581,204	(279,451)	(153,554)	148,199
Production stripping costs capitalised under Interpretation 20	-	-	209,578	209,578
Stripping activity asset depreciated during the period	-	-	(53,268)	(53,268)
30 June 2012	581,204	(279,451)	2,756	304,509
Other (included as part of Mine Properties)				
1 July 2011– opening balance	309,209	-	-	309,209
Net movement	59,340	-	-	59,340
30 June 2012	368,549	-	-	368,549
Total mine properties as at 30 June 2012	949,753	(279,451)	2,756	673,058

Description	Previously Reported	Transition Adjustments	Adjustment due to Adoption of Interp. 20	Adjusted Balance
Inventory				
30 June 2012– closing balance	227,694	-	-	227,694
Adjustment to stripping costs allocated directly to inventory	-	-	(17,728)	(17,728)
Adjusted 30 June 2012 closing balance	227,694	-	(17,728)	209,966
Profit or Loss				
Profit after tax for the half-year ended 31 December 2011	121,200	-	-	121,200
Increase/(decrease) in profit due to adjustment to stripping costs allocated directly to inventory	-	-	12,472	12,472
Sub total	121,200	-	12,472	133,672
Tax effect of adjustments at 30%	-	-	(3,741)	(3,741)
Profit after tax for the half-year ended 31 December 2011	121,200	-	8,731	129,931

Impact on earnings per share

The effect on earnings per share related to the 31 December 2011 restatement was an increase of 0.61 cents per share.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

All other new standards and interpretations effective from 1 July 2012 were adopted and there was no impact on the Group.

Notes to the Half-Year Financial Report (continued)

	31 December 2012 $'000	31 December 2011 Restated $'000
3. REVENUE AND EXPENSES		
[a] Revenue		
Sale of ore	409,398	375,045
Realised gain on foreign exchange hedges	6,783	1,819
	416,181	376,864
Other revenue		
Interest income	5,857	11,187
[b] Other income		
Net realised gain on foreign exchange	161	-
Gain on sale of property, plant and equipment	-	-
Other income	64	53
	225	53
[c] Finance costs		
Finance charges on loans	1,141	1,640
Finance charges payable under finance leases	1,604	2,127
	2,745	3,767
Unwinding of discount on rehabilitation provision	1,019	493
	3,764	4,260
[d] Cost of Sales		
Mining costs	187,516	184,785
Mining depreciation	14,897	14,469
Mining waste costs deferred as stripping asset	(48,772)	(101,496)
Amortisation of deferred stripping asset	71,385	19,681
Amortisation of other mine properties	16,685	10,412
Preproduction expenditure capitalised	-	(1,208)
Crushing costs	16,063	13,633
Transport costs	45,267	20,837
Port costs	12,992	6,891
Royalties	31,797	27,999
Depreciation	19,587	4,951
Net ore inventory movement	(18,147)	(18,545)
	349,270	182,409
[e] Administration Expenses include:		
Depreciation	235	212
Share-based payments expense	51	(243)
Exploration and evaluation costs written off	28	3
Realised loss on foreign exchange	-	182
Net unrealised loss on foreign exchange	-	244
Loss on sale of property, plant and equipment	37	718
[f] Cost of Sales & Administration expenses include:		
Salaries, wages expense and other employee benefits	57,684	41,559
Operating lease rental – minimum lease payments	23,720	15,048

Notes to the Half-Year Financial Report (continued)

4. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and his management team in assessing performance and in determining the allocation of resources.

The reportable segments are based on aggregated operating segments determined by the similarity of activity type, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group's reportable segments are in the area of iron ore mining and processing in Western Australia. Each area of operation has been aggregated and therefore the operations of the Group present one operating segment under *AASB 8 Operating Segments.*

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the interim financial report.

5. CASH AND CASH EQUIVALENTS

[a] Reconciliation of cash

	31 December 2012 $'000	30 June 2012 $'000
Cash at bank and in hand	70,677	40,678
Short-term deposits	20,000	-
	90,677	**40,678**

[b] Non-cash financing activities

During the period ended 31 December 2012, the Group acquired property, plant and equipment with an aggregate fair value of $1,081,193 (31 December 2011: $24,927,254) by means of finance leases and hire purchase agreements.

Notes to the Half-Year Financial Report (continued)

	Notes	31 December 2012 $'000	30 June 2012 $'000
6. INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Lease liability	[a]	1,435	1,769
Hire purchase facility	[b]	19,527	19,933
		20,962	**21,702**
Non-Current			
Lease liability	[a]	904	1,197
Hire purchase facility	[b]	15,255	24,125
		16,159	**25,322**
Financing facilities available			
At reporting date, the following financing facilities had been negotiated and were available:			
Total facilities:			
• Finance leases	[a]	2,339	2,966
• Hire purchase facility	[b]	34,782	44,058
• Contingent Instrument facility	[c]	65,000	65,000
• Corporate Debt	[c]	50,000	50,000
		152,121	**162,024**
Facilities used at reporting date:			
• Finance leases	[a]	2,339	2,966
• Hire purchase facility	[b]	34,782	44,058
• Contingent Instrument facility	[c]	58,625	57,743
• Corporate Debt	[c]	-	-
		95,746	**104,767**
Facilities unused at reporting date:			
• Finance leases		-	-
• Hire purchase facility		-	-
• Contingent Instrument facility		6,375	7,257
• Corporate Debt		50,000	50,000
		56,375	**57,257**

Notes to the Half-Year Financial Report (continued)

Terms and conditions relating to the above financial facilities:

[a] **Finance Lease Facility**

Finance leases are repayable monthly with final instalments due in May 2014. Interest is charged at an average rate of 8.41%. Secured by first mortgage over the leased assets.

[b] **Hire Purchase Facility**

Hire purchase arrangements have been entered into by Koolan Iron Ore Pty Ltd via a Master Lease agreement with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Hire purchase amounts are repayable monthly with final instalments due in August 2016. Interest is charged at an average rate of 7.68%. The leases are secured by a first mortgage over the assets the subject of the hire purchase agreement and a guarantee from Mount Gibson Iron Limited. This facility is drawn and repayable in A$ for both lessors.

[c] **Corporate Debt and Contingent Instrument Facility**

On 9 May 2011 the Company entered into a Facility Agreement for a $115,000,000 finance facility which expires on 30 June 2014 consisting of:

- Senior debt facility of $50,000,000 repayable as follows:
  - $25,000,000 on 31 December 2013; and
  - $25,000,000 on 30 June 2014.
- Contingent Instrument Facility of $65,000,000 (including guarantees, performance bonds).

The security pledge for these facilities is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite iron ore at Extension Hill.

	Notes	31 December 2012 $'000	30 June 2012 $'000
7. ISSUED CAPITAL			
[a] Ordinary shares			
Issued and full paid	[b]	**568,233**	**564,710**

	31 December 2012	
	Number of Shares	**$'000**
[b] Movement in ordinary shares on issue		
Beginning of the half-year	**1,085,516,652**	**564,710**
End of the half- year	**1,090,584,232**	**568,233**

[c] Share options

As at balance date the following Options over unissued Shares were on issue:

Exercise Price	Exercise Date/Period	31 December 2012 Number	30 June 2012 Number
110 cents	On or before 23 October 2012	-	2,000,000
		-	**2,000,000**

Share options carry no right to dividends and no voting rights.

Notes to the Half-Year Financial Report (continued)

[d] Performance rights

The Company has established the Mount Gibson Iron Limited Performance Rights Plan. Rights issued under the Plan are granted at no cost to the executives and will convert into ordinary shares on completion by the executive of three years' continuous service, subject to satisfaction of specified performance hurdles related to the Company's Total Shareholder Return measured against the TSR of a comparator group of companies over the same period.

During the 6 month period to 31 December 2012, no performance rights were issued.

As at 31 December 2012 there were 271,318 performance rights on issue (31 December 2011: 313,433).

8. DIVIDENDS PAID AND PROPOSED

Dividends totalling $21,714,568 were declared and paid during the period.

On 18 February 2013, the Company declared an interim cash dividend on ordinary shares in respect of the 2012/13 financial year of $0.02 per share fully franked. The total amount of the dividend is $21,811,685. The dividend has not been provided for in the 31 December 2012 financial statements.

9. FOREIGN EXCHANGE HEDGING

The Group is exposed to the risk of adverse movement in the A$ compared to the US$ as its iron ore sales receipts are denominated in US$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the US$/A$ exchange rate and to protect against adverse movements in these rates. The Group recognises derivative financial instruments at fair value at the date the derivative contract is entered into. The Group applies hedge accounting to forward foreign currency contracts that meet the criteria for cash flow hedges.

During the 6 month period to 31 December 2012 the Group delivered into US dollar foreign exchange forward contracts totalling US$179,999,996 at a weighted average A$ rate of 0.9930.

At 31 December 2012 the foreign exchange hedge book totalling US$120,000,000 is made up exclusively of forward exchange contracts with maturity dates due in the 6 months ending 30 June 2013.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

10. UNEARNED REVENUE

During the 2012 financial year, the Group settled legal proceedings with Rizhao Steel. The terms of the settlement included the payment of a non-refundable deposit of US$15 million for the sale of the Group's mineralised waste stockpiles and Extension Hill ore. Under the settlement, Rizhao entered into two offtake agreements with Mount Gibson, the first of which is in respect of mineralised waste material from Koolan Island, and the second for Extension Hill hematite. Under the Koolan Island agreement, Rizhao will purchase 1,700,000 tonnes of mineralised waste material from Koolan Island over a two to three year period. In addition, Rizhao has agreed to purchase 25% of annual production from Extension Hill at a market clearing price plus an agreed premium, over a period of 5 years. The non-refundable deposit will be recognised as revenue over the life of each contract at the rate of $2.75 per tonne delivered to Rizhao Steel.

11. EVENTS AFTER THE BALANCE SHEET DATE

On 18 February 2013, the Company declared an interim cash dividend on ordinary shares in respect of the 2012/13 financial year of $0.02 per share fully franked. The total amount of the dividend is $21,811,685. The dividend has not been provided for in the 31 December 2012 financial statements.

Other than as set out above, as at the date of this report, there are no significant events after balance date of the Group that require adjustment of or disclosure in this report.

Notes to the Half-Year Financial Report (continued)

12. COMMITMENTS

At 31 December 2012 the Group has commitments of:

- $37,184,844 (31 December 2011: $13,197,580) relating to operating leases for the provision of mobile fleet equipment and office rental;
- $37,120,470 (31 December 2011: $53,340,808) under finance leases and hire purchase liabilities which have been recognised in the Statement of Financial Position;
- $Nil (31 December 2011: $5,686,017) relating to contractual commitments to purchase property, plant and equipment relating to the construction and development of the new rail unloader at the Geraldton Port; and
- $182,345,557 (31 December 2011: $148,498,075) relating to contractual commitments in respect of mining and transport that are not liabilities at the balance date.

13. CONTINGENCIES

1. The Corporate Debt bank has provided the Group with performance bonds totalling $58,625,089. (30 June 2012: $57,743,000). The performance bonds relate to performance of environmental obligations and rail upgrades.
2. A dispute has arisen between a Group entity, Mount Gibson Mining Limited, and a contractor in relation to a contract for the upgrade of the road between Perenjori and Extension Hill. The contractor is seeking that Mount Gibson Mining Limited pay an additional sum of $6,550,000 in connection with the upgrade works. Mount Gibson Mining Limited disputes that the additional sum is payable. The parties have commenced arbitration to resolve the matter.
3. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

During the period the Group settled claims arising during the ordinary course of business. Disclosure of the nature and details of such settlements is commercially sensitive and subject to confidentiality restrictions. Such settlements have not had a material impact on the financial position of the Group.

There are no other contingent liabilities or contingent assets as at the date of this report.

14. MINERALS RESOURCE RENT TAX (MRRT)

The MRRT legislation achieved Royal Assent and became law in Australia on 29 March 2012. The MRRT is effective from 1 July 2012.

MRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred MRRT tax expense is measured and disclosed on the same basis as income tax.

The Group has recognised deferred income tax assets in respect of the tax base of MRRT assets to the extent that the Group estimates these deferred income tax assets will be utilised in the future.

Based on updated internal modelling, Mount Gibson does not currently expect to pay any MRRT over the life of its current operating mines. It is expected that Mount Gibson will utilise a portion of its MRRT starting base allowances to offset any MRRT which might otherwise arise and, accordingly, a deferred tax asset and a corresponding reduction in tax expense has been recognised in the half-year. Mount Gibson's accounting treatment relating to MRRT remains dependent on future iron ore prices, foreign exchange rates and operating costs.

Directors' Declaration

In accordance with a resolution of the directors of Mount Gibson Iron Limited, I state that:

In the opinion of the Directors:

a. the financial statements and the notes of the Group are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the Group; and

   ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Simon Bird
Non-Executive Director
18 February 2013

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To the members of Mount Gibson Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mount Gibson Iron Limited, which comprises the balance sheet as at 31 December 2012, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Mount Gibson Iron Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mount Gibson Iron Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

P McIver
Partner
Perth
18 February 2013