

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2014 17 July 2014

Highlights

Record full year ore sales achieved in excess of guidance after strong June quarter:

- Cash and term deposits of **\$520 million** (\$0.48/share) at 30 June 2014.
- Record full year Free on Board (FOB) iron ore sales revenue of **\$890 million**, after June quarter FOB ore sales revenue of **\$194 million**.
- Record full year iron ore sales of **9.7 million wet metric tonnes (Mwmt)**, after June quarter sales of **2.6 Mwmt** of iron ore:
 - Koolan Island sales increased to 1.2 Mwmt in the June Quarter, and to 3.7 Mwmt for FY2014
 - Record full year ore sales from Extension Hill of 3.0 Mwmt
 - Mining operations at Talling Peak concluded after ten years, with site closure scheduled for September 2014
 - Talling Peak low grade ore sales concluded.
- Mount Gibson ore quality to increase significantly to average +61% Fe for FY2015 sales.
- Shine Project Management Plan (PMP) approved, development timeline under review.
- Further drilling and beneficiation testwork commenced at Fields Find Plateau Prospect.
- Approvals granted for diamond core drilling at Extension Hill South project.

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

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "The 2014 financial year has been a very satisfying year. We have achieved record ore sales and revenue, and built our cash reserves to a record year end total of \$520 million, with negligible debt. Our focus on continuous improvement has ensured an outstanding operational performance for the financial year in the face of challenging market conditions over the last six months."

Mr Beyer said "While the coming year is likely to be challenging for lower quality products, Mount Gibson is able to deliver significant improvements through higher grade and quality products, enabling the Company to better optimise cashflow margins and performance."

"We also safely concluded operations at Talling Peak after ten years of production, and with low grade sales now concluded, we head into the new financial year well positioned to navigate volatile conditions with a robust balance sheet and a superior and improving product quality profile."

PERFORMANCE AT A GLANCE

	Unit	Sep-2013 Quarter	Dec-2013 Quarter	Mar-2014 Quarter	June 2014 Quarter	FY 2013/14
Standard DSO product sales*	kwmt	2,148	2,046	1,392	1,971	7,558
Low Grade DSO sales*	kwmt	234	245	417	481	1,377
Rizhao Special Product (RSP) sales	kwmt	206	202	212	148	768
Total Ore Sales	kwmt	2,588	2,493	2,021	2,600	9,703
Ave. Platts 62%Fe CFR price	US\$/dmt	133	135	120	103	123
MGX FOB Ave. realised fines price#	US\$/dmt	102	103	95	83	95
MGX FOB Ave. realised Low Grade price^	US\$/dmt	68	69	62	34	55

*Standard DSO sales included 160kwmt of mine-gate sales from Extension Hill in the September 2013 quarter, and 138kwmt in the June 2014 quarter.

#Mount Gibson's realised FOB fines price includes standard DSO fines product only, after adjustments for shipping freight, grade and penalties for impurities. Contract pricing in the period was based on a mix of lagging-monthly and month-of-shipment averages. Mine gate sales are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.

^Mount Gibson realised FOB Low Grade price is for lower grade DSO sales only, excluding Rizhao Special Product from Koolan Island, and is reported after adjustments for shipping freight, grade and penalties for impurities.

kwmt = thousand wet metric tonnes.

US\$/dmt = USD per dry metric tonne.

Minor discrepancies may occur due to rounding.

OPERATIONS

Ore sales in the June quarter totalled 2.6 million tonnes, increasing total sales for the 12 months ended 30 June 2014 to a record 9.7 million tonnes, up 11% on the previous record set in 2012-13. Operating statistics for each of the sites are tabulated in Appendix A.

This represents a better than expected result compared with full year sales guidance of 9.5 Mwtmt, and follows a significant lift in sales from Koolan Island after seasonal weather-related disruptions to ore production in the March quarter, and mine-gate sales from Extension Hill late in the June quarter.

As previously indicated, mining operations at Tallering Peak were successfully concluded in the June quarter, following depletion of Ore Reserves after ten years of operation. Low grade ore sales from the site have also been concluded, with further sales of remnant material dependent on market conditions. Site closure is on track to occur in the September 2014 quarter.

The cessation of low grade sales from Tallering Peak, and the scheduled completion of RSP sales from Koolan Island in October, will significantly improve the Company's delivered ore grade and quality profile in an increasingly volatile market for lower grade iron products.

Mount Gibson expects to achieve a blended average grade of +61% Fe in the 2015 financial year, with Koolan Island sales averaging ~62% Fe and Extension Hill sales averaging ~60% Fe.

The Company also continues to review the planned development schedule for the low-capital Shine Hematite Project in light of prevailing market conditions.

Mount Gibson will provide sales guidance for the 2015 financial year with the release of the Company's full year financial results in August 2014.

Koolan Island

Ore shipments from Koolan Island during the June quarter totalled 1.2 million tonnes, including two shipments of Rizhao Special Product (RSP) totalling 148,000 tonnes. At the end of the quarter, crushed direct ship ore (DSO) stockpiles totalled approximately 158,000 tonnes, and uncrushed DSO stockpiles totalled approximately 138,000 tonnes.



Figure 1: Koolan Island Main Pit, looking east, during May 2014.

As foreshadowed in the March quarter report, ore production and sales increased significantly during the June quarter reflecting the return to normal activity levels with the onset of the dry season.

Ore production increased significantly in Main Pit, and continued at planned rates in the Acacia East satellite pit. The new Mine Operations Centre became fully operational in the quarter following the relocation of the main store, which will help deliver further productivity gains.

Koolan Island's average unit cash mining cost for the half year remained at the bottom end of guidance of \$8-10 per tonne moved. Mount Gibson expects unit cash mining costs to remain at the lower end of guidance as mining volumes increase in line with the ramp-up schedule, and further cost reductions are being targeted.

The Company remains on track to achieve an annualised ore production rate of 4 million tonnes per annum at Koolan Island by the end of calendar 2014.

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

Mid West Operations

Mount Gibson's operations in the Mid West delivered another strong performance with combined sales from Extension Hill and Talling Peak totalling 1.4 million tonnes.

Sales comprised 1.3 million tonnes exported through Geraldton, and 138,000 tonnes in mine-gate sales from Extension Hill to a third party in the period.

Full year ore sales from the Mid West totalled a record 6.0 million tonnes, including 298,000 tonnes of mine-gate sales from Extension Hill.

Mid West ore sales will be reduced going forward as a result of the completion of mining at Talling Peak in June, when mine Ore Reserves were depleted after ten years of production. Site closure is scheduled to occur in September 2014.

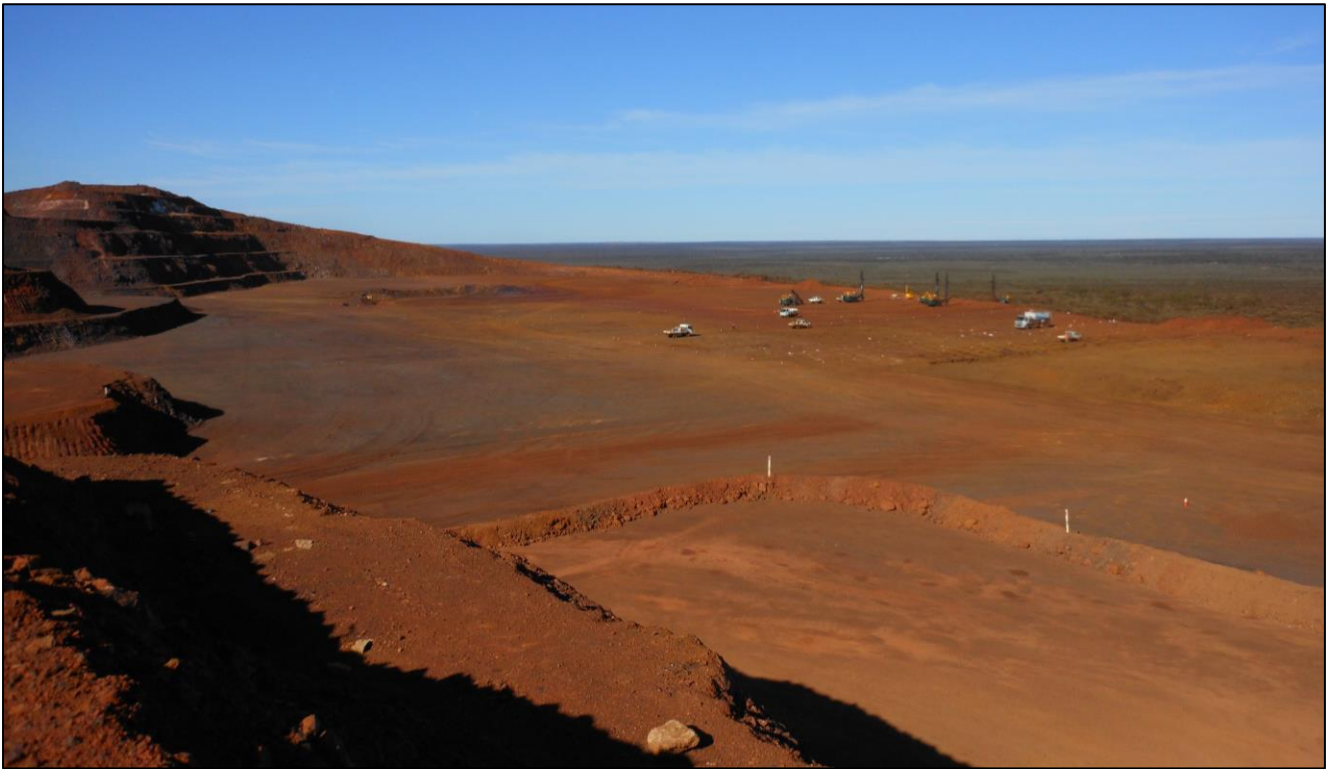


Figure 2: Blast hole drilling in the Extension Hill open pit in early July 2014, looking south west.

Extension Hill Hematite Mine

As the high grade stockpile drawdown was completed, overall site activity increased and total material movement increased 32% to 1.4 million tonnes in the quarter.

Total tonnes crushed in the quarter increased by 21% to 789,000 tonnes, with road haulage increasing 29% to 804,000 tonnes. Rail haulage to the Geraldton Port increased 23% to 798,000 tonnes.

Shipments totalled 778,000 tonnes for the June quarter, 10% higher than in the preceding period, comprising 482,000 tonnes of lump product and 296,000 tonnes of fines product. In addition to shipments through Geraldton, the Company also completed mine-gate sales to a third party totalling 138,000 tonnes in the quarter.

At the end of June, approximately 132,000 tonnes of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 129,000 tonnes. Mine-site stockpiles of uncrushed lower grade material totalled 2.2 million tonnes at the end of the quarter. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 16,000 tonnes, a decrease of 86% from the previous quarter.

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

Tallering Peak

After ten years of continuous operation, Ore Reserves at Tallering Peak were depleted in the June quarter, consistent with the Company's guidance. The conclusion of mining in the T1 satellite pit took total life of mine ore production at Tallering Peak to approximately 25 million tonnes.

Mount Gibson is extremely proud of the Tallering Peak workforce's dedication and effort in its final year, during which the mine achieved better than expected sales volumes whilst also reducing costs and improving safety performance, including a record 622 consecutive days without a Lost Time Injury (LTI) by the end of the period.

The Company is also proud of the significant contribution made by the operation to the Mid West and State economies over its ten year life.¹

¹ Refer MGX media release dated 29 February 2014, available at www.mtgibsoniron.com.au



Figure 3: Talling Peak workers salute the final truckload of ore being hauled from the pit.

Talling Peak ore production totalled 412,000 tonnes in the June quarter, and 2.2 million tonnes for the year to 30 June. Total shipments for the quarter comprised 481,000 tonnes of lower grade ore. Full year ore sales totalled just under 3 million tonnes. Progressive rehabilitation works also continued during the period.

Three final shipments of standard product are scheduled to be completed in July. Sales of low grade material have been concluded, with any further sales of remnant low grade material dependant on market conditions.

The Company's primary focus is now on the safe implementation of the approved Mine Closure Plan. Closure is scheduled to occur in late September, however rehabilitation works will continue over the next 12 months.

The Talling Peak workforce has been progressively reducing over the last year in step with activity levels, with most remaining employees to be demobilised by the end of the September quarter.

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

EXPLORATION AND RESOURCE DEVELOPMENT

Mid West

Shine Hematite Project

During the quarter, Mount Gibson continued mine planning and optimisation work for the recently acquired Shine hematite project. Details of the acquisition were outlined in the Company's ASX release dated 7 March 2014.

In June, the Company completed a 76 hole programme of RC infill drilling and a 6 hole diamond core programme to further increase confidence in the Shine Mineral Resource and Ore Reserve. A total of 6,837 samples from the RC programme were submitted for iron ore suite XRF and LOI analyses, while diamond core samples are being used in metallurgical testwork.

An updated Mineral Resource and Ore Reserve estimate is expected to be complete during the September quarter after all results have been received and interpreted.

The Project Management Plan was approved by the Department of Mines and Petroleum during the quarter. Discussions advanced with relevant parties in regard to potential alternative transport arrangements with the potential to lower total operating costs.

First ore sales are presently targeted to commence in the March 2015 quarter. The Company continues to review the development schedule for the Shine project in the context of prevailing market conditions, and will provide a further update on the schedule with the release of its financial results in August.

Extension Hill South

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

Regulatory approval was received in late May to drill diamond core at the Iron Hill prospect, within the Extension Hill South area. Drilling will commence in July, with the contractor engagement process in its final stages.

Applications for a second round of RC drilling, comprising 72 holes at Iron Hill, were also lodged in the quarter. Pending receipt of these approvals, this programme is targeted for completion during the September quarter.

Fields Find

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

Work at Plateau during the period focused on metallurgical testwork, with encouraging initial results confirming the potential to beneficiate some material to approximately 58% Fe. The initial results support further testing.

A mobile exploration camp has been established at the Plateau and a second round of RC drilling commenced in the final week of June. The programme will expand on previous mineralised zones identified from a drill program in October 2013, the results of which were announced to the ASX on 21 January 2014. Approximately 4,000 metres will be drilled and sampled in a staged approach in July 2014. At the end of June, 32 holes totalling 456 metres had been completed.

Koolan Island

West End

Activity during the quarter focused on further surface mapping and inspections of a proposed drill locations at the west end of Koolan Island. Preparations for the engagement of contractors and the mobilisation of earthmoving and drilling equipment to the proposed drill sites is underway with the RC drilling programme scheduled to commence in the September quarter.

CORPORATE

Realised pricing and revenue

The June quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to China was 15% lower in the period at US\$103/dmt, compared to US\$120/dmt in the March quarter.

During the period, Mount Gibson achieved an average realised price for its standard iron ore fines of US\$83 per dry metric tonne (dmt) Free on Board (FOB), after grade adjustments and penalties for impurities. This price was for standard fines product only, and excludes sales of RSP and other low grade products. The average realised FOB sales price of lower grade ore from Tallering Peak for the period was US\$34/dmt.

Total FOB ore sales revenue² for all products, including lower grade ore and RSP, totalled \$194 million in the quarter. Full year ore sales revenue totalled a record \$890 million.

Cash and term deposits totalled \$520 million (\$0.48 per share) at 30 June 2014, an increase of \$23 million compared with \$497 million at 31 March 2014. Over the full year, the Company's cash and term deposits increased by \$144 million compared with \$376 million at 30 June 2013.

Reduced cash generation in the June half reflected significantly lower iron ore prices during the period, particularly for lower grade ores, as has been noted by a number of producers of low grade products.

² Quarterly and full year sales revenue figures are unaudited.

With lower grade ore sales from Talling Peak now concluded, Mount Gibson will deliver superior quality ore products going forward, with both grade and quality increasing significantly.

As indicated, Mount Gibson anticipates to achieve a blended average ore sales grade of +61% Fe in the 2015 financial year, with Koolan Island products expected to average ~62% Fe and Extension Hill products to average ~60% Fe.

This increase in grade and quality will partly offset reduced sales tonnes from the Mid West and put Mount Gibson in a strong position given the significant increase in market supply of lower grade ores over the last six months. This increase in low grade supply has driven widening discounts for products below 58% Fe, amplifying the impacts of lower prices for iron ore. These increasing low grade discounts further highlight the value of higher quality ore products.

Mount Gibson notes that its sale of stockpiled low grade material from Talling Peak, which averaged less than 53% Fe during the 2014 financial year, occurred while a market window was open for low grade ores and was a highly successful exercise. These sales contributed substantially to cashflow during the year due to the modest cash cost of delivering pre-mined material to market. Mount Gibson will continue to monitor the market for further opportunities to monetise other remnant low grade material.

Mount Gibson will provide specific production guidance for FY2015 when it releases its full year financial results in August.

Board Changes

On 30 April 2014, Mount Gibson announced changes to simplify its Board structure and reduce the number of Board representatives from the Company's major shareholders from three to two, and the total number of Directors from eight to six.

To effect these changes, Mr Chen Zhouping, a representative of major shareholder Shougang Fushan Resources Group, agreed to step down as a Non-Executive Director, while Independent Non-Executive Director Mr Geoffrey Hill brought forward his previously announced retirement. The Company again thanks Mr Chen and Mr Hill for their contributions.

JIM BEYER

Chief Executive Officer

17 July 2014

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Mount Gibson will host an analysts/institutions teleconference at **1:30pm AEST (11.30am WST)** on 17 July 2014. Investors will be able to listen in to the teleconference by dialling **1800 857 029** immediately prior to the scheduled start time and entering the access code **61492002#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

Competent Persons Attribution:

Exploration Targets and Exploration results

The information in this report that relates to Exploration Targets and Exploration Results other than those of the Shine Project are based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is a full time employee of the Mount Gibson Iron Limited group, 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'. 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.

Shine Exploration Results and Sampling

The information in this report that relates to Exploration Results including sampling techniques and data is based on information compiled by Ian Shackleton, who is a member of the Australian Institute of Geoscientists. Ian Shackleton is a full time employee of Gindalbie Metals 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'. Ian Shackleton consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Shine Mineral Resource

The information in this report that relates to Mineral Resources is based on information compiled by John Graindorge, who is a Chartered Professional and Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). 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.

Shine Ore Reserves

The information in this report that relates to Ore Reserves and Production Targets is based on information compiled by Steve O'Dea, who is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM). 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.

APPENDIX A

Quarterly Operating Statistics by Site

	Jun-2013 Quarter	Sep-2013 Quarter	Dec-2013 Quarter	Mar-2014 Quarter	Jun-2014 Quarter	FY 2013-14
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	4,033	6,089	5,436	7,335	6,321	25,181
Ore mined	134	863	665	446	874	2,848
Ore crushed	334	1,106	915	468	1,257	3,745
Shipping/Sales						
Standard DSO Lump	213	220	221	-	220	661
Standard DSO Fines	87	650	508	281	835	2,274
Rizhao Special Product (RSP)	279	206	202	212	148	768
Total	578	1,076	931	493	1,203	3,702
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	832	1,000	1,137	1,328	545	4,009
Ore mined	445	605	484	661	412	2,162
Ore crushed	583	588	571	659	698	2,516
Shipping/Sales						
Standard DSO Lump*	372	348	411	227	0	986
Standard DSO Fines	310	182	239	176	0	597
Low Grade DSO*	115	234	245	417	481	1,377
Total	797	764	895	820	481	2,960
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	545	360	467	323	523	1,673
Standard ore mined	369	552	385	600	711	2,248
Low-grade ore mined [#]	164	136	156	167	210	669
Total ore mined	533	688	541	767	921	2,917
Ore crushed	667	719	573	654	789	2,735
Shipping/Sales[^]						
Standard DSO Lump	531	592	370	354	604	1,920
Standard DSO Fines	438	156	297	355	313	1,121
Total	970	749	667	709	916	3,041
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	5,574	7,448	7,041	8,987	7,389	30,863
Total ore mined	1,112	2,155	1,691	1,874	2,207	7,927
Total ore crushed	1,584	2,413	2,059	1,780	2,744	8,996
Shipping/Sales						
Standard DSO Lump*	1,115	1,160	1,001	581	824	3,567
Standard DSO Fines	835	989	1,045	811	1,148	3,992
Low Grade DSO*	115	234	245	417	481	1,377
RSP	279	206	202	212	148	768
Total	2,343	2,588	2,493	2,021	2,600	9,703

kwmt = thousand wet metric tonnes.

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

[^]Includes mine gate sales totalling 42kwmt of DSO lump and 134kwmt of DSO fines in the June 2013 quarter, 119kwmt of DSO lump and 42kwmt of DSO fines in the September 2013 quarter, and 121 kwmt of DSO lump and 17kwmt of DSO fines in the June 2014 quarter.

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

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