

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2015 24 April 2015

Key Points

- Cash and term deposits of **\$324 million** (\$0.30/share) at 31 March 2015.
- March quarter iron ore sales of **1.1 million wet metric tonnes** (Mwmt).
- On track to meet FY2015 sales guidance of **4.8 - 5.2 Mwmt**.
- March quarter iron ore sales revenue of **\$60 million** Free on Board (FOB) incorporating an average realised Extension Hill FOB fines price of US\$47/dmt.
- Detailed evaluation of Koolan Island Main Pit seawall remediation options progressed.
- Engagement with insurance providers progressed in relation to the November 2014 Koolan Island Main Pit seawall collapse.
- Operations review and savings reduction program ongoing:
 - Koolan Island Acacia East satellite pit mining completed and workforce demobilisation underway with **420kwmt** of stockpiles planned to be sold in the June quarter.
 - Extension Hill site cashflow positive in the March quarter, with cash costs (excluding royalties and corporate overheads) reducing in line with guidance and averaging **\$47.80/wmt** in the quarter and **\$43.80/wmt** in the month of March.
 - Organisational restructuring ongoing, with total headcount reduced by approximately 19% during the March quarter.
 - All on-ground exploration activity suspended.

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

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "Mount Gibson continued to focus on capital preservation and cost reduction initiatives in the March quarter as iron ore prices declined further to their lowest point since the Global Financial Crisis. This disciplined approach has helped the Company retain a strong financial position with substantial cash reserves and negligible debt, and in doing so maintain significant flexibility to adapt to the extremely challenging conditions.

"Extension Hill remained cashflow positive for the quarter, with operating cash costs declining in line with guidance. Given continued volatility in conditions, we are closely monitoring the situation and pursuing further efficiency and cost-saving initiatives.

"Accordingly, we continue to align staffing with our changing organisational requirements, most notably the completion of the limited satellite mining campaign at Koolan Island. All exploration activity, other than minor work related to approvals for Extension Hill South, has also been suspended.

"I would also like to commend the ongoing positive and constructive approach by all our people, which has been critical to safely delivering on our ongoing need for continuous improvement in these challenging times."

PERFORMANCE AT A GLANCE

	Unit	Mar-2014 Quarter	June 2014 Quarter	Sep-2014 Quarter	Dec-2014 Quarter	Mar-2015 Quarter
Standard DSO product sales*	kwmt	1,392	1,971	1,717	1,036	1,073
Low Grade DSO sales*	kwmt	417	481	0	58	0
Rizhao Special Product (RSP)*	kwmt	212	148	146	142	0
Total Ore Sales	kwmt	2,021	2,600	1,863	1,236	1,073
Ave. Platts 62%Fe CFR price	US\$/dmt	120	103	90	74	62
MGX FOB Ave. realised fines price#	US\$/dmt	95	83	65	60	47

*Standard DSO sales included 46kwmt of mine-gate sales from Extension Hill in the March 2015 quarter, 106kwmt in the September 2014 quarter, and 138kwmt in the June 2014 quarter. All sales of RSP have now been completed.

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

kwmt = thousand wet metric tonnes.

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

Minor discrepancies may occur due to rounding.

OPERATIONS

Ore sales in the March quarter totalled 1.1 Mwmt, reflecting continued strong operational performance at Extension Hill, and medium grade sales from the limited mining campaign at the Acacia East satellite pit at Koolan Island.

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

Koolan Island

Ore shipments from Koolan Island during the March quarter totalled 297,000 wmt, comprising two shipments of lump and two shipments of medium grade fines ore from the Acacia East satellite pit.

As previously reported during the period¹, a limited mining campaign commenced in the Acacia East pit to extract approximately 400,000 tonnes of material accessible with minimal additional stripping. This higher silica material typically grades 57-60% Fe.

This limited mining campaign was completed in mid-April and workforce demobilisation continues with conclusion of processing anticipated in late May, after which only a small care and maintenance team will remain on the island. At the end of March, approximately 420kwmt of Acacia East material was stockpiled pending final processing and sale in the June 2015 quarter. Current pricing would see the sale of these stockpiles generate FOB sales revenues (before royalties) of approximately \$15 million.

All other non-essential activities on Koolan Island have been suspended since the failure of the Main Pit seawall in late November 2014 while detailed investigation and assessment of potential redevelopment options are undertaken. Ongoing environmental monitoring and assessment since the event has to date identified no significant marine impacts from the seawall failure.

During the March quarter, the detailed technical evaluation and assessment of the likely timing and cost of options to rebuild the Main Pit seawall and resume production progressed. A decision on whether to recommence production from Main Pit at Koolan Island will only be made if Mount Gibson believes it is viable to do so in the context of the outlook for iron ore prices. The Company remains on track to determine its preferred course of action in mid-2015.

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

¹ Refer ASX releases dated 29 January and 17 February 2015.

Extension Hill Hematite Mine

Operationally Extension Hill continued to perform strongly in the March quarter, with total ores sales of 776,000 wmt in the quarter, comprising 424,000 wmt of lump and 352,000 wmt of fines. Fines sales included 46,000 wmt of mine gate sales to a third party. Mine gate sales are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.

The mine remained cashflow positive for the quarter, reflecting ongoing cost reduction initiatives and efficiency improvements, the strong contribution from lump sales, and external factors such as reduced fuel prices and the weakening Australian dollar. The addition of an extra train path from the Perenjori rail siding from mid February, which has raised Extension Hill's nominal export capacity by 17% to 3.5 million tonnes per annum, also has contributed to a positive impact on unit costs.

Site cash costs² for the quarter reduced in line with the Company's previously stated guidance for the June 2015 half of \$45-47/wmt, before royalties and corporate overheads, and averaged \$47.80/wmt in the quarter and \$43.80/wmt in the month of March.

Despite the strong March quarter performance, market conditions and prices have deteriorated significantly since the start of April. In the absence of a recovery in prices, further cost reductions will be required for Extension Hill to remain cashflow positive. Mount Gibson continues to pursue additional cost savings and incremental efficiency improvements wherever possible, and is closely monitoring the situation and assessing options in the context of the volatile outlook for iron ore prices.

At the end of March, approximately 69,000 wmt of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 30,000 wmt. Mine-site stockpiles of uncrushed lower grade material totalled 2.9 Mwmt at the end of the quarter. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 144,000 wmt.

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

EXPLORATION AND RESOURCE DEVELOPMENT

Extension Hill South

During the March quarter, activity was limited to progressing approvals and evaluating data from previously completed drilling in order to complete an initial Mineral Resource estimate for the Iron Hill prospect in mid 2015.

All other exploration-related activities have been suspended as part of the Company's ongoing focus on cost reduction and capital preservation.

CORPORATE

Realised pricing and revenue

The March quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to northern China was US\$62 per dry metric tonne (dmt), a decline of 16% compared with the US\$74/dmt average in the preceding quarter.

During the quarter, Mount Gibson achieved an average realised price for its standard Extension Hill iron ore fines of US\$47/dmt FOB, after grade and provisional pricing adjustments and penalties for impurities. This price excludes sales of material from the Acacia East satellite pit on Koolan Island. There were no sales of remnant low grade material from Talling Peak during the quarter. Sales of Koolan Island Rizhao Special Product (RSP) were fully completed in the previous quarter.

Total FOB ore sales revenue² for all products, including mine gate sales, totalled \$60 million in the March quarter, compared with \$72 million in the preceding quarter. Interest revenues totalled \$3 million and the Company also received a final distribution of \$4 million from the Hong Kong liquidators of Pioneer Iron & Steel Group Company Limited, an iron ore customer which defaulted on iron ore purchase obligations during the 2008 global financial crisis.

² Quarterly sales revenue and cost figures are unaudited.

Cash and term deposits totalled \$324 million (\$0.30 per share) at 31 March 2015, compared with \$354 million at the end of December 2014. Cash outgoings during the March quarter reflected ongoing operations at both Extension Hill and Koolan Island, including the temporary build-up of Acacia East ore stockpiles on Koolan Island for sale in the June quarter, redundancy costs across the business of \$2 million, and working capital outflows of \$26 million arising from the gradual wind down of operations at Koolan Island and the payment of associated creditors.

Sales guidance

Mount Gibson remains on track to achieve its sales guidance for the 2015 financial year of 4.8-5.2 Mwmt under current production plans.

Koolan Island insurance

As indicated during the quarter, Mount Gibson has insurance policies for a variety of circumstances, including property damage and business interruption. Discussions with the Company's insurers with regard to the failure of the Koolan Island seawall continue to progress. It is not yet possible to accurately estimate the potential quantum or timing of any claim.

Organisational restructuring

Consistent with Mount Gibson's ongoing focus on cost reduction and business efficiency, during the March quarter the Company continued to progressively align staffing levels with changing operational support requirements following the seawall failure at Koolan Island.

The Company's total headcount was reduced by a further 67 positions, or 19%, across the business during the course of the quarter, including a 33% reduction in corporate office staffing. This alignment process will continue on the basis of ongoing organisational requirements, notably as the remaining Acacia East workforce on Koolan Island is demobilised during the June quarter. Total anticipated redundancy costs remain within the previously reported \$11 million estimate, of which approximately \$8 million has been incurred to date.

At the end of March, head office expenditure (excluding abnormal costs related to employee redundancies and the Koolan Island seawall insurance claim) had reduced to approximately \$1.5 million per month, representing a ~40% reduction from the monthly average for the December 2014 half-year. Further reductions are being achieved as work continues to restructure the business for the prevailing economic conditions.

Half yearly financial results

Mount Gibson released its financial results for the December 2014 half on 17 February 2015³. The Company reported a total net loss after tax of \$869.8 million, after non-cash impairment charges totalling \$946.3 million and a non-cash income tax benefit of \$97.1 million. The results announcement is available from the Mount Gibson website.

JIM BEYER

Chief Executive Officer
24 April 2015

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³ Refer ASX release dated 17 February 2015.

Mount Gibson will host an analysts/institutions teleconference at **11.00am AEST (9.00am WST)** on 24 April 2015. 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:

Mount Gibson Iron Exploration Results

The information in this report that relates to Exploration Results including sampling techniques and data is based on information compiled by Gregory Hudson, a Competent Person who is a member of the Australian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Iron Limited, and he has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the December 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gregory Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

APPENDIX A

Quarterly Operating Statistics by Site

	Mar-2014 Quarter	Jun-2014 Quarter	Sep-2014 Quarter	Dec-2014 Quarter	Mar-2015 Quarter	FY 2014-15
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	7,335	6,321	8,409	5,171	783	14,362
Ore mined	446	874	668	425	406	1,499
Ore crushed	468	1,257	908	297	273	1,479
Shipping/Sales						
Standard DSO Lump	-	220	210	42	149**	401
Standard DSO Fines	281	835	568	147	148**	864
Rizhao Special Product (RSP)	212	148	146	142	-	287
Total	493	1,203	923	331	297	1,552
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	1,328	545	-	-	-	-
Ore mined	661	412	-	-	-	-
Ore crushed	659	698	-	-	-	-
Shipping/Sales						
Standard DSO Lump*	227	-	116	-	-	116
Standard DSO Fines	176	-	118	-	-	118
Low Grade DSO*	417	481	-	58	-	58
Total	820	481	234	58	-	292
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	323	523	607	590	485	1,681
Standard ore mined	600	711	973	619	817	2,408
Low-grade ore mined [#]	167	210	279	255	158	692
Total ore mined	767	921	1,252	874	975	3,101
Ore crushed	654	789	954	743	833	2,530
Shipping/Sales[^]						
Standard DSO Lump	354	604	317	544	424	1,285
Standard DSO Fines	355	313	388	303	352	1,043
Total	709	916	705	847	776	2,328
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	8,987	7,389	9,016	5,761	1,267	16,044
Total ore mined	1,874	2,207	1,920	1,299	1,381	4,600
Total ore crushed	1,780	2,744	1,862	1,041	1,106	4,009
Shipping/Sales						
Standard DSO Lump*	581	824	643	586	573	1,802
Standard DSO Fines	811	1,148	1,074	450	500	2,025
Low Grade DSO*	417	481	-	58	0	58
RSP	212	148	146	142	0	287
Total	2,021	2,600	1,863	1,236	1,073	4,172

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.

**Mining at Koolan Island in the March 2015 quarter was only from the Acacia East satellite pit with lump material grading ~59% Fe and fines material grading ~57% Fe.

[^]Includes mine gate sales totalling 46kwmt of DSO fines in the March 2015 quarter, 72kwmt of DSO lump and 34kwmt of DSO fines in the September 2014 quarter, and 121 kmwt 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.