Mount Gibson Iron

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ASX ANNOUNCEMENT

19 February 2014

Mount Gibson more than doubles net profit in December 2013 Half-Year

HIGHLIGHTS *(All figures in Australian dollars unless stated otherwise)*

- Record six month sales revenue of **$509.5 million** (H1 2013: $416.2 million) on record iron ore sales of **5.1 million wet metric tonnes** (H1 2013: 4.4Mwmt).
- Net profit after tax increased by 111% to **$78.3 million** (H1 2013: $37.1 million).
- Cash and term deposits increased over the half year by **$107.9 million** to **$483.9 million** (30-Jun-2013: $376.0 million).
- Net operating cashflow increased fourfold to **$170.6 million** (H1 2013: $43.1 million).
- EBITDA of $212.1 million (H1 2013: $173.9 million).
- Total Cost of Goods Sold of **$77.90/wmt**, including royalties (H1 2013: $78.90/wmt).
- Average realised price (all products) increased to $100/wmt Free On Board (H1 2013: $94/wmt).
- Koolan Island unit cash mining and site administration costs reduced to under $9 per tonne of ore and waste moved, in lower half of guidance range.
- On track to achieve record FY2014 sales of **9.0 to 9.5 million tonnes**.

Mount Gibson Iron Limited (**Mount Gibson**) is pleased to announce a net profit after tax of $78.3 million for the six months ended 31 December 2013 on record half year sales revenue and record half year ore sales. This represents an increase of 111% over the net profit reported in the previous corresponding half year (six months ended 31 December 2012), while net operating cashflow rose almost fourfold to $170.6 million lifting the cash and term deposits to a period-end record of $483.9 million, equivalent to $0.44 per share.

Chief Executive Officer Jim Beyer said Mount Gibson's interim net profit after tax of $78.3 million was a strong result built on significant underlying business improvements.

"Our headline profit for the half year tells only part of the story," he said. "Our ongoing focus on business optimisation and continuous improvement delivered record sales volumes and revenue, a fourfold increase in operating cashflow and a significant boost in our total cash reserves by over $100 million to a record period-end total of $484 million.

"At the same time, we have established a strong platform for future success by maintaining a diligent focus on cost control, increasing ore reserves at our existing operations, and expanding our suite of exploration and development opportunities, most notably in the Mid West.

"This approach, together with our healthy balance sheet, positions Mount Gibson extremely well for the remainder of the 2013/14 financial year and prepares us well for any future volatility in iron ore prices and market conditions."

Results for 6 months ended 31 December 2013 compared with the prior corresponding 6 month period:		6 months ended 31 Dec 2013	6 months ended 31 Dec 2012
Ore tonnes mined*	*wmt (mill)*	**3.8**	3.6
Ore tonnes sold	*wmt (mill)*	**5.1**	4.4
Average realised price, all products	*$ / wmt sold*	**100**	94
Sales revenue	*$ mill*	**509.5**	416.2
Interest income	*$ mill*	**7.4**	5.9
Cost of goods sold	*$ mill*	**(395.8)**	(349.3)
Gross profit	*$ mill*	**121.1**	72.8
Admin and other expenses/income**	*$ mill*	**(6.6)**	(15.8)
Finance costs	*$ mill*	**(3.1)**	(3.8)
Profit before tax	*$ mill*	**111.5**	53.2
Tax (expense)/benefit	*$ mill*	**(33.2)**	(16.1)
Net profit after tax	*$ mill*	**78.3**	37.1

** Includes Extension Hill low grade material. ** Net of the recognition in the Dec-2013 half year of a $6.7 million partial recovery of an historical arbitration award. Minor discrepancies may appear due to rounding.*

Mount Gibson's strong operational and financial performance was achieved in an environment of continuing healthy demand for iron ore from Chinese buyers and robust iron ore prices, and reflected the Company's continuing focus on the optimisation and cost control of its mining operations.

The half year result also reflected a number of substantial operational achievements during the year.

Six month ore sales were a record 5.1 million tonnes, an increase of 15% compared with the prior record set in the first half of the 2012/13 financial year. Half-year sales revenue was also a record at $509.5 million, an increase of 22% over the previous corresponding half year.

Mount Gibson remains on track to achieve record full year sales of 9.0 to 9.5 million tonnes in the current 2013/14 financial year, in line with guidance. This reflects the production ramp-up now underway at Koolan Island which remains on track to reach 4 million tonnes of iron ore per annum by the end of calendar 2014.

It also reflects the successful development of the T1 satellite deposit at Tallering Peak, which has extended the life of the Tallering Peak mine to mid 2014.

Cash and term deposits increased over the half year by $107.9 million to a period-end record of $483.9 million at 31 December 2013. This cash balance was achieved after meeting substantial non-operating cash outlays during the half-year on income tax payments ($31.5 million), dividends ($21.8 million), the successful resolution of a historical construction works contract claim ($3.7 million) and the purchase of haul trucks and other key mobile equipment ($13 million).

The reported net profit also includes the recognition of an expected $6.7 million payout from the liquidators of a former customer, Pioneer Iron & Steel Group Company Ltd. The expected distribution arises from an historical arbitration award. More details of the settlement are contained in the Directors' Report of the half year financials.

As advised at the release of the Company's half year financial results in February 2013, Mount Gibson has moved to assess future dividend payments on only an annual, rather than interim, basis going forward. This will enable consideration of a single final dividend based on a full year's financial result.

Realised pricing

During the half year period, the Platts CFR index price for delivery of iron ore fines grading 62% Fe to northern China averaged US$134 per dry metric tonne (dmt) compared with US$117/dmt in the previous corresponding half. The vast majority of Mount Gibson's sales contracts are structured as Free on Board (FOB) sales arrangements where the sale occurs in the loading port rather than the delivery port, and the customer incurs the shipping costs. Mount Gibson's average realised FOB price for standard fines product, net of adjustments for iron grade and impurities, was US$108/dmt in the half-year period, up from US$102/dmt previously.

The weighted average realised FOB price for all products sold was approximately $100 per wet metric tonne (wmt) in the half year, compared with approximately $94/wmt in the previous corresponding half year. The weighted average realised price reflects the broader product mix now being sold and changes in the prevailing shipping freight cost deductions.

Mine-gate sales and sales of RSP and lower grade ore generated substantial cash margins similar to those for standard DSO sales at prevailing prices.

Cost performance and savings

Total Cost of Goods Sold (COGS) averaged $77.90/wmt FOB for the year, compared with $78.90/wmt in the previous corresponding half year. COGS includes cash and non-cash costs, comprising mining, depreciation of plant and equipment, amortisation of deferred waste stripping and mine development balances, crushing, transport, administration and state government royalties.

During the period, Mount Gibson further pursued cost reductions and improved operating efficiencies, particularly at Koolan Island, as production continued to ramp up to the targeted rate of 4 million tonnes of ore per annum by the end of calendar 2014.

The production ramp-up at Koolan Island remains on schedule and is delivering operational improvements in line with those anticipated when the program was announced in March 2013, with unit cash mining (and site administration) costs averaging in the lower half of the guidance range of $8-10/t moved, and significantly lower than in the prior corresponding half.

This reduction was despite the short term impact of reduced fleet availability in the December 2013 quarter. To help address this, Mount Gibson brought forward by six months the replacement of three haul trucks which were mobilised to site in late December. Mining unit costs are expected to resume their downward trend in the second half of the current financial year as equipment availability and volume movement increases.

Koolan Island ore production was also impacted late in the December quarter by heavy rain related to Cyclone Christine. This short term wet weather-related interruption, and similarly heavy rains in early February, while impacting short term shipping schedules, are not expected to have any material impact on forecast sales and Mount Gibson reaffirms its sales guidance of 9.0 to 9.5 million tonnes for the 2013/14 financial year.

The Appendix 4D and annual financial statements are attached.

Mount Gibson will host an analysts/institutions teleconference at **10:30am AEDT** on 19 February 2014. Investors will be able to listen in to the teleconference by dialing **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).

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APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2013 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:	Half-Year ended 31 December 2013
Previous Corresponding Period:	Half-Year ended 31 December 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Up 22% to	$509.5
Profit from continuing operations before tax	Up 109% to	$111.5
Net profit after tax attributable to members of the Company	Up 111% to	$78.3

DIVIDENDS

As notified to the market over the last 12 months, Mount Gibson Iron Limited (Mount Gibson) now considers dividends only on an annual rather than interim basis.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	2013	2012
Net tangible assets	*A$ mill*	$1,239.6	$1,085.9
Fully paid ordinary shares on issue at balance date	*#*	1,090,584,232	1,090,584,232
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	113.7	99.6

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

None.

STATUS OF AUDIT

This Half-Year Report is based on accounts that have been reviewed by Mount Gibson's statutory auditors.

COMMENTARY

It is recommended that the Half-Year Report be read in conjunction with Mount Gibson's Annual Financial Report for the year ended 30 June 2013 together with any public announcements made by Mount Gibson during and after the half-year year ended 31 December 2013 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2013

Financial Report

For the half-year ended 31 December 2013

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Directors' Report

Your Directors submit their report for the half-year ended 31 December 2013 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	*Chairman, Independent Non-Executive Director*
Lee Seng Hui	*Non-Executive Deputy Chairman*
Alan Jones	*Independent Non-Executive Director*
Chen Zhouping	*Non-Executive Director*
Li Shaofeng	*Non-Executive Director*
Russell Barwick	*Independent Non-Executive Director*
Simon Bird	*Independent Non-Executive Director*
Paul Dougas	*Independent Non-Executive Director*
Andrew Ferguson	*Alternate Director to Lee Seng Hui*

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

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 of the Group 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 in the Kimberley region of Western Australia;
- mining of hematite iron ore deposits at the Tallering Peak and Extension Hill mine sites in the Mid-West region of Western Australia and haulage of the ore via road and rail for sale from the Geraldton Port; and
- exploration for, 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

Sales by the Group for the half-year period totalled a record 5.1 million tonnes of iron ore, an increase of 15% over the December 2012 half-year and 17% 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 Rizhao Special Product (RSP) from the Koolan Island mine, with a combined tonnage of 398,000 tonnes.

Mount Gibson achieved an average realised fines price, excluding sales of low grade and RSP, of US$108 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$134/dmt. Mount Gibson's sales contracts contain a mixture of month of shipment and prior month reference prices.

Key sales statistics are tabulated below:

	Unit	December 2013 Half Year	December 2012 Half Year
Standard Product Sales	'000 wmt	4,035	4,029
Low grade/RSP sales	'000 wmt	886	398
Mine gate sales	'000 wmt	160	-
Total Ore Sales	'000 wmt	**5,081**	**4,427**
Average Platts 62% Fe CFR northern China price	US$/dmt	134	117
MGX Free on Board (FOB) average realised fines price*	US$/dmt	108	102

* 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 RSP sales. '000 wmt = thousand wet metric tonnes. US$/dmt = USD per dry metric tonne.

Cash and term deposits totalled $483.9 million ($0.44 per share) at 31 December 2013, an increase of $107.9 million over the cash and term deposits balance of $376.0 million at 30 June 2013. This is a record period-end cash balance for the Company and was achieved after meeting substantial non-operating cash outlays during the half-year on income tax instalments ($31.5 million), dividends ($21.8 million), the successful resolution of a historical construction works contract claim ($3.7 million), and the purchase of haul trucks and other key mobile equipment (approximately $13 million).

The Company chose to purchase the new haul trucks outright after assessing the purchase against the relative cost of lease finance. Similar cash purchases were made of ancillary equipment in order to replace hired items and further reduce operating expenses. The Company will continue to evaluate purchases against lease financing as it progressively replaces the circa $60 million Koolan Island mining fleet over the next three years. This may involve a mix of lease financing and/or outright cash purchases depending on the comparative financial benefits and other capital demands at the relevant times.

Costs continue to be removed from the business through various initiatives including reductions in personnel numbers, replacement and removal of hired equipment, re-tendering and renegotiation of key supplier contracts, and centralisation of mining and site support services. 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 commodity environment.

DIVIDENDS

During the half-year ended 31 December 2013, a final dividend of 2 cents per share fully franked in respect of the 2012/13 financial year was paid by way of $21,811,685 in cash.

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Period

Summarised operating results for the Group for the half-year ended 31 December 2013 were:

	CONSOLIDATED	
	31 December 2013 $'000	31 December 2012 $'000
Operating profit from Continuing Operations before tax	**111,450**	**53,246**
Taxation expense	(33,153)	(16,149)
Net profit after tax attributable to Members of the Company	**78,297**	**37,097**

Tallering Peak Hematite Operations

Tallering Peak continued to perform very well in the December 2013 half-year. Safety performance was of special note with the site recording 483 consecutive days without a Lost Time Injury (LTI) by the end of the period. This outstanding performance has continued, with the site passing 500 days LTI-Free on 17 January 2013.

The mine also delivered strong sales during the period. Total shipments for the half-year increased 43% to 1.7 million tonnes compared with 1.2 million tonnes in the prior corresponding half-year.

Development works were completed for the new T1 pit, while mining in the main T6 pit approaches scheduled completion in the March 2014 quarter.

Crusher throughput remained steady compared with the prior corresponding quarter, while road and rail haulage activities increased with the continued drawdown of ore stockpiles.

TALLERING PEAK PRODUCTION SUMMARY	**Unit**	**Sept Quarter 2013 ’000**	**Dec Quarter 2013 ’000**	**Dec Half-Year 2013 ’000**	**Dec Half-Year 2012 ’000**	***% incr / (decr)***
Mining						
- Waste Mined	*wmt*	1,000	1,137	**2,137**	**4,463**	***(52)***
- Ore Mined	*wmt*	605	484	**1,089**	**1,185**	***(8)***
Crushing						
- Lump	*wmt*	374	347	**721**	**740**	***(3)***
- Fines	*wmt*	214	224	**438**	**436**	***0***
Total	*wmt*	**588**	**571**	**1,159**	**1,176**	***(1)***
Transport to Mullewa Railhead						
- Lump	*wmt*	383	337	**720**	**664**	***8***
- Fines	*wmt*	200	276	**476**	**365**	***30***
Total	*wmt*	**583**	**613**	**1,196**	**1,029**	***16***
Transport to Geraldton Port						
- Lump	*wmt*	582	598	**1,180**	**709**	***66***
- Fines	*wmt*	203	185	**388**	**304**	***28***
Total	*wmt*	**785**	**783**	**1,568**	**1,013**	***55***
Shipping						
- Lump	*wmt*	582	655	**1,237**	**867**	***43***
- Fines	*wmt*	182	240	**422**	**291**	***45***
Total	*wmt*	**764**	**895**	**1,659**	**1,158**	***43***

Significant progress was made on rehabilitation of the existing waste dumps during the half-year.

At the end of December 2013, approximately 130,000 tonnes of crushed standard product, and 58,000 tonnes of crushed lower grade ore were stockpiled at the mine, in addition to stockpiles of approximately 92,000 tonnes of uncrushed standard product. Uncrushed stocks of low grade ore at the mine totalled approximately 215,000 tonnes. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 96,000 tonnes, while stockpiles of crushed low grade material totalled approximately 382,000 tonnes.

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

TALLERING PEAK		**Half-Year ended 31 Dec 2013**	**Half-Year ended 30 June 2013**	**Half-Year ended 31 Dec 2012**
Waste mined	*mill bcm*	0.70	0.55	1.49
Waste mined	*mill wmt*	2.14	1.66	4.46
Ore mined	*mill bcm*	0.27	0.23	0.29
Ore mined	*mill wmt*	1.09	0.96	1.19
Deferred waste capitalised	*$ mill*	0.37	-	3.81
Amortisation of deferred waste	*$ mill*	(10.13)	(14.36)	(37.03)

Koolan Island Hematite Operations

Ore shipments from Koolan Island during the half-year totalled 2.0 million tonnes, including six shipments of Rizhao Special Product (RSP) totalling 408,000 tonnes.

Waste movement was 43% higher and ore production was 21% higher than the prior corresponding period, although volume movements in the December quarter were adversely impacted by reduced fleet availability. To help address this, Mount Gibson brought forward by six months the replacement of three haul trucks which were mobilised to site in late December 2013.

In addition, ore production was impacted in the short term by heavy rain related to Cyclone Christine in late December. The cyclone did not directly cross Koolan Island, however the site experienced heavy rain over several days including approximately 600 millimetres in a two day period. This resulted in temporary flooding of the Main Pit ore zone.

Crushing volumes were 18% higher than the prior corresponding period, at 2.0 million tonnes, including RSP.

At the end of the period, crushed direct ship ore (DSO) stockpiles totalled approximately 65,000 tonnes, and uncrushed DSO stockpiles totalled approximately 165,000 tonnes.

Average unit cash mining costs for the half-year remained within the lower half of the guidance range of $8-10 per tonne moved but were higher in the December quarter due to the lower fleet availability and wet season impacts as described above. Mining costs are expected to resume a downward trend in the second half as equipment availability and volume movement increases.

KOOLAN ISLAND PRODUCTION SUMMARY	**Unit**	**Sept Quarter 2013 '000**	**Dec Quarter 2013 '000**	**Dec Half-Year 2013 '000**	**Dec Half-Year 2012 '000**	***% incr / (decr)***
Mining						
- Waste mined	*wmt*	6,089	5,436	**11,525**	**8,041**	***43***
- Ore mined	*wmt*	863	665	**1,528**	**1,262**	***21***
Crushing						
- Lump	*wmt*	233	189	**422**	**486**	***(13)***
- Fines	*wmt*	520	431	**951**	**860**	***11***
- RSP*	*wmt*	353	295	**648**	**360**	***80***
Total		**1,106**	**915**	**2,021**	**1,706**	***18***
Shipping						
- Lump	*wmt*	220	220	**440**	**515**	***(14)***
- Fines	*wmt*	650	508	**1,158**	**1,286**	***(10)***
- RSP*	*wmt*	205	203	**408**	**283**	***44***
Total		**1,075**	**931**	**2,006**	**2,084**	***(4)***

* Rizhao Special Product ("RSP").

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

KOOLAN ISLAND		**Half-Year ended 31 Dec 2013**	**Half-Year ended 30 June 2013**	**Half-Year ended 31 Dec 2012**
Waste mined	*mill bcm*	4.34	2.15	3.28
Waste mined	*mill wmt*	11.53	5.29	8.04
Ore mined	*mill bcm*	0.40	0.15	0.33
Ore mined	*mill wmt*	1.53	0.60	1.26
Deferred waste capitalised	*$ mill*	42.98	52.14	44.96
Amortisation of deferred waste	*$ mill*	(39.60)	(11.79)	(34.36)

Extension Hill Hematite Operations

Consistent with the continued strategy of reducing stockpiles, ore and waste mining volumes reduced in comparison with the prior corresponding half-year period. Total tonnes crushed and hauled to the siding and port were broadly similar with the prior corresponding period.

Sales totalled 1.4 million tonnes which comprised normal shipments and a small volume of supplemental mine gate sales. Some potential exists for the continuation of such supplemental sales in future periods but none were undertaken in the December quarter.

At the end of December 2013, approximately 140,000 tonnes of crushed finished product was stockpiled at the mine, and uncrushed product stockpiled at the mine totalled approximately 180,000 tonnes. Minesite stockpiles of uncrushed lower grade material totalled 1.9 million tonnes at the end of the period. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 159,000 tonnes at 31 December 2013.

EXTENSION HILL PRODUCTION SUMMARY	**Unit**	**Sept Quarter 2013 '000**	**Dec Quarter 2013 '000**	**Dec Half-Year 2013 '000**	**Dec Half-Year 2012 '000**	***% incr / (decr)***
Mining						
- Waste Mined*	*wmt*	496	623	**1,119**	**1,522**	***(26)***
- Ore Mined	*wmt*	552	385	**937**	**1,119**	***(16)***
Crushing						
- Lump	*wmt*	406	330	**736**	**758**	***(3)***
- Fines	*wmt*	313	243	**556**	**541**	***3***
Total	*wmt*	**719**	**573**	**1,292**	**1,299**	***(1)***
Transport to Perenjori Railhead						
- Lump	*wmt*	428	355	**783**	**767**	***2***
- Fines	*wmt*	229	301	**530**	**451**	***18***
Total	*wmt*	**657**	**656**	**1,313**	**1,218**	***8***
Transport to Geraldton Port						
- Lump	*wmt*	515	297	**812**	**874**	***(7)***
- Fines	*wmt*	137	343	**480**	**381**	***26***
Total	*wmt*	**652**	**640**	**1,292**	**1,255**	***3***

* Includes low grade material.

EXTENSION HILL PRODUCTION SUMMARY (Continued)	**Unit**	**Sept Quarter 2013 '000**	**Dec Quarter 2013 '000**	**Dec Half-Year 2013 '000**	**Dec Half-Year 2012 '000**	***% incr / (decr)***
Shipping						
- Lump	*wmt*	474	370	**844**	**830**	***2***
- Fines	*wmt*	115	297	**412**	**355**	***16***
Total	*wmt*	**589**	**667**	**1,256**	**1,185**	***6***
Mine gate sales						
- Lump	*wmt*	118	-	**118**	**-**	***100***
- Fines	*wmt*	42	-	**42**	**-**	***100***
Total	*wmt*	**160**	**-**	**160**	**-**	***100***
Total sales						
- Lump	*wmt*	592	370	**962**	**830**	***16***
- Fines	*wmt*	157	297	**454**	**355**	***28***
Total	*wmt*	**749**	**667**	**1,416**	**1,185**	***19***

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

EXTENSION HILL		**Half-Year ended 31 Dec 2013**	**Half-Year ended 30 June 2013**	**Half-Year ended 31 Dec 2012**
Waste mined*	*mill bcm*	0.44	0.55	0.60
Waste mined*	*mill wmt*	1.12	1.36	1.52
Ore mined	*mill bcm*	0.32	0.24	0.38
Ore mined	*mill wmt*	0.94	0.69	1.12
Deferred waste capitalised	*$ mill*	-	-	-
Amortisation of deferred waste	*$ mill*	-	-	-

* Includes low grade material.

EXPLORATION AND DEVELOPMENT

Mineral Resources and Ore Reserves

During the half-year, Mount Gibson released its annual statement of Mineral Resources and Ore Reserves as at 30 June 2013. Total Group Mineral Resources were estimated at 88.6 million tonnes grading 61.9% Fe, and total Group Ore Reserves were estimated at 45.2 million tonnes grading 62.1% Fe. This compares with Group Ore Reserves at 30 June 2012 of 44.3 million tonnes grading 62.6% Fe.

Increasing total Ore Reserves in excess of mine depletion was a substantial positive achievement by the Company. This increase has added mine life and demonstrates the benefits of Mount Gibson's ongoing focus on resource optimisation and exploration to grow ore reserves at its existing operations.

Agreement to acquire advanced Shine hematite project

On 9 December 2013, Mount Gibson announced an agreement to acquire the advanced Shine hematite project from Gindalbie Metals Ltd (Gindalbie) for $12 million up-front plus a price participation royalty of which $3 million will be prepaid upon first ore shipments. Full details of the terms of the acquisition were outlined in the Company's market release dated 9 December 2013.

The proposed acquisition is consistent with Mount Gibson's strategy to grow its exploration and mining footprint around its existing Mid-West iron ore operations and transport infrastructure.

Gindalbie has previously reported a Hematite Mineral Resource (Measured, Indicated and Inferred categories) for the Shine deposit comprising 6.1 million tonnes grading 59.8% Fe, located approximately 250km east of Geraldton, and 85km north-north-west of Mount Gibson's operating Extension Hill mine.

The project is well advanced in terms of feasibility evaluation, mine planning and permitting. Given Shine's advanced state, and proximity to the Company's existing Mid-West operations and infrastructure, Mount Gibson considers it to have excellent potential for near term low-capex development that can partly offset the scheduled closure of the Company's Tallering Peak mine in the second half of 2014.

Subsequent to the end of the half-year, on 21 January 2014, Mount Gibson was notified by the Australian Foreign Investment Review Board that it had no objection to the acquisition. Settlement is anticipated within the current March quarter, on satisfaction of outstanding conditions relating to other relevant third party consents.

Koolan Island

Extensive mapping and rock chip sampling was conducted over a number of iron-prospective targets on the West End of Koolan Island in the half-year. Significant hematite mineralisation and iron rich sandstone units were mapped and correlated with drill intercepts from a 2011 drill program. Mount Gibson is now planning for a drill program to be undertaken, subject to relevant approvals, in the June 2014 quarter.

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. Drilling commenced at the Iron Hill prospect within the Extension Hill South area in early December 2013, with results announced to the market on 13 February 2014. Significant intercepts were recorded in a number of drillholes, enabling the establishment of an Exploration Target of 5-7Mt grading 58-61% Fe in accordance with the JORC 2012 Code. The results confirmed the potential to add to the Extension Hill mine life and a follow-up drilling program is planned for mid-2014.

Fields Find

The Fields Find project area is located 60 kilometres north of the Company's Extension Hill mine. The 250 sqkm tenement package includes the Plateau iron prospect, an iron-enriched ultramafic laterite occurrence, where iron intercepts were recorded in very limited drilling by a previous operator.

An initial reverse circulation (RC) drilling program was completed at Plateau during the half-year and announced to the market on 21 January 2014. A total of 114 significant intersections grading in excess of 50% Fe were returned, with significant intercepts in 104 individual holes, representing 46% of all holes completed. This represents a high success rate for a greenfields exploration program and covers only approximately 5% of the prospect area.

The results confirmed Mount Gibson's conceptual geological model for the Plateau target, and have also indicated better than anticipated continuity of mineralisation. The Company considers the results to date to be encouraging and to support the potential to delineate an iron Mineral Resource at the Plateau prospect. Pending approvals, further drilling is planned for March and April 2014.

CORPORATE

Minerals Resource Rent Tax (MRRT)

Although the MRRT legislation is undergoing the process of repeal in the Australian Parliament, as at the date of these half-year financials, the MRRT legislation remains in force and must therefore be properly accounted for. Based on internal modelling, Mount Gibson does not 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 has been recorded on the Company's balance sheet.

Mount Gibson's accounting treatment relating to MRRT remains dependent on future iron ore prices, foreign exchange rates and operating costs. It expected, however, that upon repeal of the MRRT legislation, Mount Gibson will write-off the carrying value of its MRRT deferred tax asset as a non-cash expense in its income statement. As at 31 December 2013, Mount Gibson had recorded a MRRT deferred tax asset of $60.9 million.

Income Tax

Mount Gibson has in prior years had the benefit of a private ruling regarding taxation arrangements for the treatment of provisional invoices for the sale of iron ore. These arrangements ended on 30 June 2012. Accordingly, revenue which was deferred for tax purposes from the 2011/12 financial year, along with all provisional sales revenues incurred in 2012/13 (which under the private ruling would have otherwise been deferrable), was assessed in the 2012/13 financial year and paid in the December 2013 half-year. Of the $31.5 million income tax paid in the half-year, $22.9 million related to the 2012/13 financial year and the balance of $8.6 million represented instalments for the current 2013/14 financial year.

Partial Recovery of Historic Arbitration Award

Hong Kong-based Pioneer Iron & Steel Group Company Limited ("Pioneer") was a Mount Gibson iron ore customer which defaulted on iron ore purchase obligations during the 2008 global financial crisis. Through subsequent arbitration in Australia, Mount Gibson was awarded US$23.1 million plus costs and interest as damages, and Mount Gibson registered this arbitration award in the Hong Kong courts. Separately, Pioneer was placed into liquidation in Hong Kong and the liquidator subsequently admitted the total claim for US$23.9 million. The liquidators have recently reached a settlement arrangement with, amongst others, the shareholder of Pioneer.

The liquidators have advised Mount Gibson that Pioneer is expected shortly to pay an interim cash distribution to creditors. Mount Gibson has previously not recognised any receivable on its balance sheet for potential distributions from the Pioneer liquidator. Given the latest developments, Mount Gibson has recorded the expected minimum amount of the interim distribution of $6.7 million as income in the half-year and as a receivable on its balance sheet as at 31 December 2013. Should amounts in excess of the anticipated distribution ultimately be paid to Mount Gibson from the Pioneer liquidation, such excess would be recorded at the time, as appropriate. No determination has been made by the liquidator as to the final distribution payment to be made but it is expected that the interim distribution will reflect the majority of the overall final payment amount to be made to creditors.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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.

Geoffrey Hill
Chairman
18 February 2014

Building a better working world

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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 2013, 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

P McIver

P McIver
Partner
18 February 2014

Consolidated Income Statement

For the half-year ended 31 December 2013

	Notes	31 December 2013 $'000	31 December 2012 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	509,526	416,181
Other revenue	3[a]	7,384	5,857
TOTAL REVENUE		**516,910**	**422,038**
Cost of sales	3[d]	(395,836)	(349,270)
GROSS PROFIT		**121,074**	**72,768**
Other income	3[b]	6,723	225
Exploration expenses		(73)	(28)
Administration expenses	3[e]	(13,222)	(15,955)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND FINANCE COSTS		**114,502**	**57,010**
Finance costs	3[c]	(3,052)	(3,764)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**111,450**	**53,246**
Income tax (expense)		(33,153)	(16,149)
NET PROFIT FOR THE PERIOD AFTER INCOME TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY		**78,297**	**37,097**

Earnings per share for profit attributable to the ordinary equity holders of the Parent:	Cents per share	Cents per share
- basic earnings per share	7.18	3.41
- diluted earnings per share	7.18	3.41

Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2013

	31 December 2013 $'000	31 December 2012 $'000
NET PROFIT FOR THE PERIOD AFTER INCOME TAX	**78,297**	**37,097**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	2,101	(11,081)
Reclassification adjustments for (gains)/losses on cash flow hedges included in the Income Statement	(748)	6,783
Deferred income tax on cash flow hedges	(405)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**948**	**(4,298)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**79,245**	**32,799**

Consolidated Balance Sheet

As at 31 December 2013

	Notes	31 December 2013 $'000	30 June 2013 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	105,143	62,018
Term deposits	6	378,800	314,000
Trade and other receivables		53,409	47,301
Inventories		113,464	151,973
Prepayments		7,886	2,732
TOTAL CURRENT ASSETS		**658,702**	**578,024**
NON-CURRENT ASSETS			
Property, plant and equipment		240,593	247,924
Deferred acquisition, exploration and evaluation costs		2,306	861
Mine properties	7	632,050	661,213
Deferred tax assets		60,914	67,350
TOTAL NON-CURRENT ASSETS		**935,863**	**977,348**
TOTAL ASSETS		**1,594,565**	**1,555,372**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		103,709	105,736
Interest-bearing loans and borrowings	8	17,243	19,188
Derivative financial liabilities		3,253	4,607
Income tax payable		27,278	26,010
Provisions		12,840	12,384
TOTAL CURRENT LIABILITIES		**164,323**	**167,925**
NON-CURRENT LIABILITIES			
Provisions		74,558	78,637
Interest-bearing loans and borrowings	8	4,126	9,204
Deferred tax liabilities		111,934	117,557
TOTAL NON-CURRENT LIABILITIES		**190,618**	**205,398**
TOTAL LIABILITIES		**354,941**	**373,323**
NET ASSETS		**1,239,624**	**1,182,049**
EQUITY			
Issued capital	9	568,328	568,328
Retained earnings		657,463	600,978
Reserves		13,833	12,743
TOTAL EQUITY		**1,239,624**	**1,182,049**

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2013

	Notes	31 December 2013 $'000	31 December 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		515,418	402,925
Payments to suppliers and employees		(312,151)	(329,219)
Interest paid		(1,207)	(1,819)
Income tax paid		(31,478)	(28,758)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**170,582**	**43,129**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,741	7,544
Proceeds from sale of property, plant and equipment		620	15
Purchase of property, plant and equipment		(27,687)	(31,256)
Payment from/(for) term deposits		(64,800)	64,000
Payment for deferred exploration and evaluation		(1,517)	(1,242)
Payment for mine development		(3,364)	(1,659)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(90,007)**	**37,402**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(10,970)	(10,490)
Repayment of borrowings		(2,993)	(700)
Borrowing costs		(821)	(831)
Dividends paid		(21,812)	(18,192)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(36,596)**	**(30,213)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		43,979	50,318
Net foreign exchange difference		(854)	(319)
Cash and cash equivalents at beginning of period		62,018	40,678
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5[a]	**105,143**	**90,677**

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

	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 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**
At 1 July 2013	**568,328**	**600,978**	**19,160**	**(3,225)**	**(3,192)**	**1,182,049**
Profit for the period	-	78,297	-	-	-	**78,297**
Other comprehensive income	-	-	-	948	-	**948**
Total comprehensive income for the period	**-**	**78,297**	**-**	**948**	**-**	**79,245**
Transactions with owners in their capacity as owners						
- Share based payments / (reversing on forfeiture)	-	-	142	-	-	**142**
- Dividends paid	-	(21,812)	-	-	-	**(21,812)**
At 31 December 2013	**568,328**	**657,463**	**19,302**	**(2,277)**	**(3,192)**	**1,239,624**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2013

1. CORPORATE INFORMATION

The consolidated financial report of the Group, comprising the Company and the entities that it controlled during the half-year ended 31 December 2013, was authorised for issue in accordance with a resolution of the Directors on 18 February 2014.

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

The nature of operations and principal activities of the Group are the mining of hematite iron ore deposits at Tallering Peak, Koolan Island and Extension Hill, and exploration and development of hematite deposits in Western Australia.

The address of the registered office is Level 1, 2 Kings Park Road, West Perth, Western Australia, 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 2013 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 2013. 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 2013 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

Except as noted below, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013.

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 2013 were adopted with the main impact being disclosure changes. Changes to accounting policies due to adoption of these standards and interpretations are not considered significant for the Group.

3. REVENUE AND EXPENSES

	Note	31 December 2013 $'000	31 December 2012 $'000
[a] Revenue			
Sale of ore		510,274	409,398
Realised gain/(loss) on foreign exchange hedges		(748)	6,783
		509,526	416,181
Other revenue			
Interest income		7,384	5,857
[b] Other income			
Net realised gain on foreign exchange transactions		-	161
Other income	[i]	6,723	64
		6,723	225

[i] During the half-year ended 31 December 2013, Mount Gibson recognised income of $6.7 million in relation to the expected minimum amount of an interim distribution to creditors from the liquidators of Pioneer Iron & Steel Group Company Limited, a former customer.

	Note	31 December 2013 $'000	31 December 2012 $'000
[c] Finance costs			
Finance charges on loans		974	1,141
Finance charges payable under finance leases		869	1,604
		1,843	2,745
Interest accretion on rehabilitation provision		1,209	1,019
		3,052	3,764
[d] Cost of Sales			
Mining costs		165,411	187,516
Depreciation – mining		15,679	14,897
Mining waste costs deferred	7[a]	(43,349)	(48,772)
Amortisation of mining waste costs deferred	7[a]	49,730	71,385
Amortisation of other mine properties	7[a]	20,961	16,685
Crushing costs		20,549	16,063
Depreciation – crushing		3,697	4,186
Transport costs		52,906	45,267
Depreciation – transport		3,363	3,942
Port costs		13,888	12,992
Depreciation – port		11,321	11,459
Royalties		41,978	31,797
Net ore inventory movement		39,702	(18,147)
		395,836	349,270
[e] Administration Expenses include:			
Depreciation		274	235
Share-based payments expense		142	51
Net realised loss on foreign exchange transactions		2	-
Net unrealised loss on foreign exchange balances		854	-
Loss on sale of property, plant and equipment		409	37
[f] Cost of Sales & Administration Expenses include:			
Salaries, wages expense and other employee benefits		53,938	57,684
Operating lease rental – minimum lease payments		17,374	23,720

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 the senior management team in assessing performance and determining the allocation of resources.

All reporting segments have been aggregated to form one reportable segment representing the entity as a whole. The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics and the segments are similar in each of the following respects:

[i] the nature of the product mined and sold, being hematite iron ore;
[ii] the nature of the production process which involves mining and crushing of iron ore;
[iii] the similarity of customers across the segments; and
[iv] the similarities of the shipping method used to distribute the iron ore to the market.

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

All segment assets are located in Australia.

5. CASH AND CASH EQUIVALENTS

	31 December 2013 $'000	30 June 2013 $'000
[a] Reconciliation of cash		
Cash at bank and in hand	71,143	47,018
Short-term deposits	34,000	15,000
	105,143	**62,018**

[b] Non-cash financing activities

During the period ended 31 December 2013, the Group acquired property, plant and equipment with an aggregate fair value of $nil (31 December 2012: $1,081,193) by means of finance leases and hire purchase agreements.

6. TERM DEPOSITS

	31 December 2013 $'000	30 June 2013 $'000
Current		
Receivables – term deposit	378,800	314,000
	378,800	**314,000**

	31 December 2013 $'000	30 June 2013 $'000
7. MINE PROPERTIES		
Mine development expenditure	1,359,603	1,318,075
Accumulated amortisation	(727,553)	(656,862)
	632,050	**661,213**

[a] Reconciliation

	Koolan Island		Tallering Peak		Extension Hill		Total	
	31-Dec-13 $'000	30-Jun-13 $'000	31-Dec-13 $'000	30-Jun-13 $'000	31-Dec-13 $'000	30-Jun-13 $'000	31-Dec-13 $'000	30-Jun-13 $'000
Deferred Waste								
Carrying amount at the beginning of the period	279,193	228,250	12,574	60,157	-	-	291,767	288,407
Deferred waste capitalised	42,982	97,096	367	3,808	-	-	43,349	100,904
Amortisation expensed	(39,598)	(46,153)	(10,132)	(51,391)	-	-	(49,730)	(97,544)
Carrying amount at the end of the period	**282,577**	**279,193**	**2,809**	**12,574**	**-**	**-**	**285,386**	**291,767**
Other mine properties								
Carrying amount at the beginning of the period	336,715	344,414	2,559	4,544	30,172	35,694	369,446	384,652
Additions	-	-	10	75	-	18	10	93
Mine rehabilitation – discount rate adjustment	(5,000)	-	-	-	(231)	-	(5,231)	-
Transferred (to)/from deferred acquisition, exploration and evaluation	-	(444)	-	1,423	-	-	-	979
Transferred from capital works in progress	3,400	10,528	-	-	-	-	3,400	10,528
Amortisation expensed	(17,711)	(17,783)	(1,050)	(3,483)	(2,200)	(5,540)	(20,961)	(26,806)
Carrying amount at the end of the period	**317,404**	**336,715**	**1,519**	**2,559**	**27,741**	**30,172**	**346,664**	**369,446**
Total mine properties	**599,981**	**615,908**	**4,328**	**15,133**	**27,741**	**30,172**	**632,050**	**661,213**

	Notes	31 December 2013 $'000	30 June 2013 $'000
8. INTEREST-BEARING LOANS AND BORROWINGS			
Current			
Lease liability	[a]	904	1,197
Hire purchase facility	[b]	16,339	17,991
		17,243	**19,188**
Non-Current			
Lease liability	[a]	-	-
Hire purchase facility	[b]	4,126	9,204
		4,126	**9,204**
Financing facilities available			
The following financing facilities had been negotiated and were available at the reporting date:			
Total facilities:			
• Finance leases	[a]	904	1,197
• Hire purchase facility	[b]	20,465	27,195
• Contingent instrument facility	[c]	65,000	65,000
		86,369	**93,392**
Facilities used at reporting date:			
• Finance leases	[a]	904	1,197
• Hire purchase facility	[b]	20,465	27,195
• Contingent instrument facility	[c]	58,648	58,625
		80,017	**87,017**
Facilities unused at reporting date:			
• Finance leases	[a]	-	-
• Hire purchase facility	[b]	-	-
• Contingent instrument facility	[c]	6,352	6,375
		6,352	**6,375**

Terms and conditions relating to the above financial facilities:

[a] **Finance Lease Facility**

Finance leases are repayable monthly with final instalments presently due in May 2014. Interest is charged at an average rate of 8.29% pa. The facilities are secured by first mortgages over the leased assets.

[b] **Hire Purchase Facility**

Hire purchase arrangements comprise an insurance premium funding agreement and various equipment hire purchase arrangements entered into by Koolan Iron Ore Pty Ltd and Mount Gibson Mining Ltd via Master Lease Agreements with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Insurance premium funding is charged at an interest rate of 4.5%pa and is repayable monthly with the final instalment due in July 2015. Hire purchase amounts are repayable monthly with final instalments due in August 2016. Interest is charged at an average rate of 7.35%pa. The leases are secured by a first mortgage over the assets the subject of the hire purchase agreements and a guarantee from the Company. This facility is drawn and repayable in A$.

[c] **Contingent Instrument Facility**

On 9 May 2011, the Company entered into a facility agreement expiring 30 June 2014 (unless extended) comprising a senior debt facility (since cancelled) and a $65 million contingent instrument facility including guarantees and performance bonds.

The security pledge for the contingent instrument facility 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 2013 $'000	30 June 2013 $'000
9. ISSUED CAPITAL			
[a] Ordinary shares			
Issued and full paid	[b]	**568,328**	**568,328**

	31 December 2013	
	Number of Shares	$'000
[b] Movement in ordinary shares on issue		
Beginning of the half-year	1,090,584,232	568,328
Shares issued	-	-
End of the half- year	1,090,584,232	568,328

[c] Share options

As at balance date there were no options on issue.

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

[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 eligible executives and 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. The Board is presently undertaking a review of the hurdles within the Performance Rights Plan and may consider modification of the hurdles in future awards.

During the 6 month period to 31 December 2013, no performance rights were issued, and 24,820 performance rights lapsed and were cancelled.

As at 31 December 2013, there were 880,088 performance rights on issue (31 December 2012: 217,318).

10. DIVIDENDS PAID AND PROPOSED

Dividends totalling $21,811,685 were declared and paid during the period.

11. FINANCIAL INSTRUMENTS

[a] Foreign currency risk

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 financial 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 A$/US$ exchange rate and to protect against adverse movements in this rate. 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 of cash flow hedges.

During the 6 month period to 31 December 2013, the Group delivered into US dollar denominated foreign exchange forward contracts totalling US$124,000,000 at a weighted average exchange rate of A$1.00/US$0.9367.

At 31 December 2013, the notional amount of the foreign exchange hedge book totalling US$100,000,000 is made up exclusively of forward exchange contracts with maturity dates due in the 6 months ending 30 June 2014 and with a weighted average contract rate of A$1.00/US$0.9163.

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

11. FINANCIAL INSTRUMENTS (CONTINUED)

[b] Fair value of financial assets and financial liabilities

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – valuation techniques (for which the lowest level of input that is significant to the fair value measurement is unobservable)

The fair value representing the marked to market value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of derivative financial instruments ($3,253,000) are determined using the Level 2 method requiring fair value to be calculated using observable market inputs. The Group's fair values under the Level 2 method are sourced from an independent valuation by the Group's treasury advisors. The valuation techniques use prevailing market inputs sourced from Reuters/Bloomberg to determine an appropriate mid price valuation.

The fair values of cash, short-term deposits, trade and other receivables, trade and other payables and other interest-bearing borrowings approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 31 December 2013 are shown below.

	Carrying Amount $'000	Fair Value $'000
Financial assets - current		
Cash	71,143	71,143
Short-term deposits	34,000	34,000
Term deposits	378,800	378,800
Trade debtors	34,857	34,857
Other receivables	18,552	18,552
	537,352	537,352
Financial liabilities – current		
Trade and other payables	103,709	103,709
Lease and hire purchase liabilities	17,243	17,243
Derivatives	3,253	3,253
	124,205	124,205
Financial liabilities – non current		
Lease and hire purchase liabilities	4,126	4,126
	4,126	4,126
Net financial assets	**409,021**	**409,021**

12. EVENTS AFTER THE BALANCE SHEET DATE

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.

13. COMMITMENTS

At 31 December 2013, the Group has commitments of:

- $18,066,332 (31 December 2012: $37,184,884) relating to operating leases for the provision of mobile fleet equipment and office rental;
- $21,369,000 (31 December 2012: $37,120,470) under finance leases and hire purchase liabilities which have been recognised in the Statement of Financial Position;
- $172,167,155 (31 December 2012: $182,345,557) relating to contractual commitments in respect of mining and transport that are not liabilities at the balance date.

14. RELATED PARTY DISCLOSURES

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the half-year, Mr Li and Mr Chen were directors of Shougang Concord International Enterprises Company Limited, a controlling entity of SCIT Trading Limited (SCIT), and Mr Lee and Mr Ferguson were directors of APAC Resources Limited (APAC).

The following sale agreements are in place with director-related entities:

- The sale of 80% of iron ore from Tallering Peak's production over the life of mine after 0.65 million (+/-10%) wet metric tonnes ("wmt") per year is provided to SCIT.
- The sale of 20% of iron ore from Tallering Peak's production over the life of mine after 0.65 million (+/-10%) wmt per year is provided to APAC.
- The sale of 80% of iron ore from Koolan Island's available mined production over the life of mine to SCIT.
- The sale of 20% of iron ore from Koolan Island's available mined production over the life of mine to APAC.
- Ad hoc spot sales of iron ore from Extension Hill to APAC.

Pursuant to these sales agreements, during the half-year, the Group:

- Sold 577,040 wmt (2012: 531,865 wmt) of iron ore to APAC; and
- Sold 2,443,476 wmt (2012: 2,028,871 wmt) of iron ore to SCIT.

Amounts recognised at the reporting date in relation to director-related entity transactions:

	31 December 2013 $'000	30 June 2013 $'000
Assets and Liabilities		
Current Assets		
Trade receivables - APAC	9,043	2,019
Trade receivables - SCIT	12,296	4,267
Total trade receivables	21,339	6,286
Total Assets	**21,339**	**6,286**
Current Liabilities		
Trade payables – APAC	-	(1)
Trade payables - SCIT	(260)	(11)
Total trade payables	(260)	(12)
Total Liabilities	**(260)**	**(12)**

	31 December 2013 $'000	31 December 2012 $'000
Net Sales Revenues		
Sale of goods - APAC	57,337	49,369
Sale of goods - SCIT	261,377	203,374
Total Sale of Goods	**318,674**	**252,743**

15. CONTINGENCIES

1. The Group has a contingent instrument facility for performance bonds drawn to a total of $58,648,000 (30 June 2013: $58,625,000). The performance bonds secure the Group's obligations relating to environmental matters and historical rail upgrades.
2. A dispute has arisen between Mount Gibson Iron Ltd and a third party regarding payment of an advisory fee in connection with the Company's takeover of Aztec Resources Limited in the 2006/07 financial year. The parties are involved in litigation before the New South Wales Supreme Court in an attempt to resolve the matter. The third party claim is valued at approximately $10,000,000. The Company disputes the validity of the claim and believes it will be successful in defending the claim.
3. A dispute has arisen between Mount Gibson Iron Limited and a third party regarding the amount of royalty payable in connection with the Company's mining operations at Extension Hill. The Company is in disagreement as to the amount of the royalty payable. The disputed portion of the third party claim is dependent upon future iron ore prices and could be valued at approximately $2,500,000 per year over the life of the mine.
4. 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.

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 2013 and the performance of the Group for the half-year ended on that date; 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.

Geoffrey Hill
Chairman
18 February 2014

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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 2013, 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 2013 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 2013 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

P McIver
Partner
Perth
18 February 2014