APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2015 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 2015
Previous Corresponding Period:	Half-Year ended 31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Down 31% to	$128.6
Profit/(Loss) from continuing operations before tax	Up 98% to	($15.1)
Net profit/(loss) after tax attributable to members of the Company	Up 98% to	($15.4)

DIVIDENDS

No interim dividend has been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2015	31 December 2014
Net tangible assets	*A$ mill*	$290.2	$342.0
Fully paid ordinary shares on issue at balance date	*#*	1,090,805,085	1,090,805,085
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	26.6	31.3

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

The Group incorporated a new wholly-owned subsidiary named KIO SPV Pty Ltd (ACN 609 554 672) in the half-year period. It is proposed for this entity to hold certain of the Group's future investments in potential logistics operations on Koolan Island.

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 2015 and any public announcements made by Mount Gibson during and after the half-year year ended 31 December 2015 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 2015

Financial Report

For the half-year ended 31 December 2015

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2015 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.

Lee Seng Hui	*Chairman, Non-Executive Director*
Alan Jones	*Independent Non-Executive Director*
Li Shao Feng	*Non-Executive Director*
Russell Barwick	*Independent Non-Executive Director*
Simon Bird	*Lead 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 at Koolan Island in the Kimberley region of Western Australia;
- mining of hematite iron ore at the Extension Hill mine site 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 and development of hematite iron ore deposits at Koolan Island and in the Mid-West region of Western Australia.

OPERATING AND FINANCIAL REVIEW

Overview of the Half-Year Period

The Group's financial performance for the half-year ended 31 December 2015 continued to be severely impacted by further declines in the iron ore price. At the beginning of the half-year the Platts Index for delivery of 62% Fe iron ore fines to northern China was US$59 per dry metric tonne ("**dmt**") and, following a low of US$38.50/dmt in December, finished the half-year at US$43/dmt, a 27% reduction over the period. Even with some further weakness in the A$/US$ exchange rate, these lower prices adversely impacted the Company's cash flow generating capacity.

However, despite these pricing challenges, Mount Gibson's management and operating teams successfully implemented their planned operating strategies at both the Koolan Island and Extension Hill mines, enabling the Company to further reduce unit costs and add to its cash balance over the period. Cost reduction efforts resulted in the Company's average cost of goods sold (including non-cash costs but before impairments) for its continuing operations reducing from $61/wmt FOB in the 2014/15 financial year to $44/wmt FOB in the half-year period. Cash reserves, including term deposits, increased over the half-year by $11,529,000 to $345,532,000 as at 31 December 2015.

Group ore sales totalled 2.6 million wet metric tonnes ("**Mwmt**") for the half-year reflecting a steady operational performance at Extension Hill and the Acacia East satellite pit at Koolan Island. Total sales revenue was $124,016,000 net of some significant provisional pricing adjustments resulting from the dramatically lower prices experienced towards the end of the half-year period. Mount Gibson achieved an average realised price for standard iron ore fines material for the half-year of US$37/dmt Free On Board ("**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 and compares with an average of US$54/dmt for the 2014/15 financial year.

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2015 are tabulated below. These reflect impairment expenses totalling $23,613,000 as a result of depressed iron ore prices in the period:

Consolidated Group		31 December 2015 $'000	31 December 2014 $'000
Net loss before tax from continuing and discontinued operations	*$'000*	**(15,437)**	**(966,876)**
Taxation benefit	*$'000*	-	97,083
Net loss after tax attributable to members of the Company	*$'000*	**(15,437)**	**(869,793)**
Loss per share	*cents/share*	(1.42)	(79.74)

Consolidated quarterly operating and sales statistics for the half-year period are tabulated below:

Consolidated Group	Unit	Sept Quarter 2015	Dec Quarter 2015	Dec Half-Year 2015	Dec Half-Year 2014
Mining and crushing					
Total waste mined	*kwmt*	1,763	2,362	**4,125**	14,777
Total ore mined#	*kwmt*	1,510	1,882	**3,393**	3,219
Total ore crushed	*kwmt*	1,294	1,540	**2,834**	2,903
Shipping/sales*					
Standard DSO Lump	*kwmt*	549	962	**1,511**	1,229
Standard DSO Fines	*kwmt*	513	558	**1,071**	1,525
Low grade DSO	*kwmt*	-	-	**-**	58
RSP	*kwmt*	-	-	**-**	287
Total	*kwmt*	1,061	1,520	**2,582**	3,099
Average Platts 62% Fe CFR northern China price	*US$/dmt*	55	47	**51**	82
MGX Free on Board (FOB) average realised fines price^	*US$/dmt*	40	35	**37**	64

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

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

* Includes mine gate sales totalling 72kwmt of DSO lump and 34kwmt of DSO fines in the December 2014 half-year, and no mine gate sales in the December 2015 half-year.

^ Reflects the realised fines price for standard DSO fines ore only, after adjustments for shipping freight, grade, provisional invoicing adjustments 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, when they occur, are priced on a Free on Train basis, reflecting market prices less the cost of rail, port and shipping.

Minor discrepancies may appear due to rounding.

Koolan Island Hematite Operations

Ore shipments from Koolan Island during the six months ended 31 December 2015 totalled 813,000 wmt, with all ore sourced from the Acacia East satellite pit. This compares to the December 2014 half-year where ore was also sourced from the Main Pit prior to the failure of the seawall in late 2014, and shipments totalled 1.25 Mwmt.

Ore volumes over the December 2015 half-year reflected the mining production profile at Acacia East whereby sales are weighted toward the December 2015 and March 2016 quarters, following a focus on pre-stripping and inventory build in the September 2015 quarter.

Sales from ore stocks built up during the stripping phase helped reduce average site cash costs[1] at Acacia East from $52/wmt FOB in the September quarter to $38/wmt FOB in the December quarter.

The mining campaign at Acacia East is on schedule for completion during the March 2016 quarter, with final sales of Acacia East material anticipated to occur in late March or early April 2016.

[1] Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations. Cost figures are unaudited.

As previously indicated, following the completion of shipments from Acacia East, Koolan Island will transition to care and maintenance while activities continue with regard to evaluating options to potentially reinstate the Main Pit seawall and progress the proposed Koolan Island Logistics Base (KILB).

Geotechnical drilling at the Main Pit seawall to provide technical data for the evaluation of potential rebuild options commenced late in the December half-year and was completed in January.

Production and shipping statistics for the December 2015 half-year are tabulated below:

Koolan Island Production Summary	Unit	Sept Quarter 2015 '000	Dec Quarter 2015 '000	Dec Half-Year 2015 '000	Dec Half-Year 2014 '000	% incr / (decr)
Mining						
Waste mined	*wmt*	1,225	1,874	**3,099**	13,580	(77)
Ore mined	*wmt*	335	666	**1,001**	1,093	(8)
Crushing						
Lump	*wmt*	181	341	**522**	200	161
Fines	*wmt*	75	173	**248**	562	(56)
RSP*	*wmt*	-	-	**-**	443	(100)
		256	**514**	**770**	**1,205**	**(36)**
Shipping						
Lump	*wmt*	74	372	**446**	252	77
Fines	*wmt*	221	146	**367**	715	(49)
RSP*	*wmt*	-	-	**-**	287	(100)
		295	**518**	**813**	**1,254**	**(35)**

* Rizhao Special Product ("RSP").
Minor discrepancies may appear due to rounding.

In accordance with the Company's stated accounting policy, deferred waste expenditure for the period has historically been capitalised in the Group's balance sheet and amortised on a units of production basis. As mining in the December 2015 half-year was limited to short term activities within the Acacia East satellite pit, expenditure on waste development was expensed as incurred rather than capitalised in the period. The table provides a comparison of waste and saleable ore mined during the following half years:

Koolan Island		Half-Year ended 31 Dec 2015	Half-Year ended 30 June 2015	Half-Year ended 31 Dec 2014
Waste mined	*mill bcm*	1.12	0.32	5.12
Waste mined	*mill wmt*	3.10	0.85	13.58
Ore mined	*mill bcm*	0.27	0.16	0.30
Ore mined	*mill wmt*	1.00	0.55	1.09
Deferred waste capitalised	*$ mill*	-	-	92.68
Amortisation of deferred waste	*$ mill*	-	-	20.12

Extension Hill Hematite Operations

The Extension Hill mine achieved a strong operational performance in the December half-year. Shipments from Geraldton Port totalled 1,768,000 wmt, comprising 1,076,000 wmt of lump ore and 704,000 wmt of fines ore.

The mine remained cashflow positive for the half-year, reflecting the ongoing focus on cost reduction and efficiency improvements, and the strong contribution from lump sales. However, cash margins generally decreased over the period with lower iron ore prices.

All-in site cash costs[2] averaged $47/wmt sold FOB for the half-year, in line with guidance.

With the sustained and material decline in iron ore prices, the Company continues to implement operational changes at Extension Hill identified through the ongoing business efficiency programme to reduce gross expenditure and preserve value in the prevailing low price environment. These changes allow potential to flex short term production while having no material impact on unit cost guidance.

As part of this ongoing programme the Company will finalise standardisation of two-and-one rosters across all Mid West roles. Regretfully, this will result in some reduction in total full time positions across the mine, the Perenjori rail siding and the Company's loading facilities at Geraldton Port.

Adjusting the mining rate will also potentially extend the operational life of the Extension Hill open pit to early 2017, subject to there being no further material and sustained deterioration of market conditions.

[2] Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations. Cost figures are unaudited.

This will also provide additional flexibility with regard to securing environmental and development approvals for the adjacent Iron Hill deposit, 3km south of the current Extension Hill pit. The Iron Hill deposit represents a very low capital cost mine life extension opportunity should market conditions be sufficiently attractive to proceed. The changes will also enable the Company to better optimise the transition of production from the existing Extension Hill pit to the planned pit at Iron Hill.

At the end of December, approximately 81,000 wmt of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 56,000 wmt, and mine-site stockpiles of uncrushed lower grade material totalled 3.3 Mwmt. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 267,000 wmt.

Production and shipping statistics for the December 2015 half-year are tabulated below:

Extension Hill Production Summary	**Unit**	**Sept Quarter 2015 '000**	**Dec Quarter 2015 '000**	**Dec Half-Year 2015 '000**	**Dec Half-Year 2014 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	539	487	**1,026**	1,197	(14)
Standard ore mined	*wmt*	969	1,034	**2,003**	1,592	26
Low grade ore mined*	*wmt*	206	182	**388**	534	(27)
Total ore mined	*wmt*	**1,175**	**1,216**	**2,391**	**2,126**	**12**
Crushing						
Lump	*wmt*	619	590	**1,209**	999	21
Fines	*wmt*	420	436	**856**	698	23
		1,039	**1,026**	**2,065**	**1,697**	**22**
Transported to Perenjori Railhead						
Lump	*wmt*	600	589	**1,189**	961	24
Fines	*wmt*	421	430	**851**	787	8
		1,021	**1,019**	**2,040**	**1,748**	**17**
Transported to Geraldton Port						
Lump	*wmt*	520	572	**1,092**	765	43
Fines	*wmt*	320	442	**762**	680	12
		840	**1,014**	**1,854**	**1,445**	**28**
Shipping						
Lump	*wmt*	474	590	**1,064**	789	35
Fines	*wmt*	292	412	**704**	657	7
		766	**1,002**	**1,768**	**1,446**	**22**
Mine gate sales						
Lump	*wmt*	-	-	**-**	72	(100)
Fines	*wmt*	-	-	**-**	34	(100)
		-	**-**	**-**	**106**	**(100)**
Total sales						
Lump	*wmt*	474	590	**1,064**	861	24
Fines	*wmt*	292	412	**704**	691	2
		766	**1,002**	**1,768**	**1,552**	**14**

* Low grade ore is material grading 50-55% Fe and which is considered 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.

In accordance with the Company's stated accounting policy, as the waste to ore stripping ratio at the Extension Hill operation has remained relatively consistent over the operational phase of the mine, expenditure on waste mining is fully expensed as incurred rather than capitalised. The table provides a comparison of waste and saleable ore mined during the following half years:

Extension Hill		**Half-Year ended 31 Dec 2015**	**Half-Year ended 30 June 2015**	**Half-Year ended 31 Dec 2014**
Waste mined	*mill bcm*	0.40	0.39	0.45
Waste mined	*mill wmt*	1.03	1.00	1.20
Ore mined (including stockpiled low grade ore)	*mill bcm*	0.76	0.71	0.70
Ore mined (including stockpiled low grade ore)	*mill wmt*	2.39	2.11	2.13
Deferred waste capitalised	*$ mill*	-	-	-
Amortisation of deferred waste	*$ mill*	-	-	-

Tallering Peak Hematite Operations

Rehabilitation activities continued during the December 2015 half-year, with the site now closed and environmental monitoring activities continuing.

EXPLORATION AND DEVELOPMENT

Extension Hill South

In August 2015[3], the Company announced a new mineral resource estimate for the Iron Hill deposit at Extension Hill South, immediately adjacent to the Company's operating Extension Hill mine. Total Mineral Resources at Iron Hill now comprise 8.8 Mt @ 58.3% Fe. For details of Iron Hill Mineral Resources, refer to the Company's Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2015[3].

In November 2015, the Public Environmental Review for the Iron Hill Deposit was released for public comment.

Iron Hill has potential for a material extension of mine life at Extension Hill for minimal capital cost, given its location just 3km south of the current pit. Subject to receipt of all necessary approvals, Mount Gibson is targeting to commence mining at Iron Hill when mining in the Extension Hill pit is completed in early 2017.

Shine Project

In August 2015[3] Mount Gibson announced total Mineral Resources at the Shine Project, located 85km north of Extension Hill, had doubled to 15.9 Mt @ 58.1% Fe following further resource modelling work in the June half of 2015. Shine's previously reported Ore Reserves were removed from the Company's Ore Reserve Statement in light of prevailing market conditions, however the project remains a high value opportunity to add production within a short start-up timeframe when conditions improve.

CORPORATE

Financial Position

The Group's cash and term deposit balances totalled $345,532,000 as at 31 December 2015, an increase of $11,529,000 from the balance of $334,003,000 as at 30 June 2015.

As at the balance date, the Group's current assets totalled $377,241,000 and its current liabilities totalled $62,915,000. As at the date of this report, the Group has sufficient funds as well as access to further equity and debt funding to operate and sell iron ore from the Koolan Island and Extension Hill mines, and to advance its exploration and growth objectives.

Impairment

Following the significant impairment expense recorded in the year ended 30 June 2015, the iron ore price, when expressed in either US dollar or Australian dollar terms, has continued to fall significantly. As a result, the Group has recorded a further impairment expense in the December 2015 half-year of $23,613,000 before tax comprising impairments of iron ore inventories (by $2,380,000), consumables inventories (by $6,808,000), mine properties (by $2,135,000), deferred acquisition, exploration and evaluation assets (by $2,642,000) and property, plant and equipment (by $9,648,000).

Foreign Exchange Hedging

As at 31 December 2015, the Group held foreign exchange collar option contracts covering the conversion of US$24,000,000 into Australian dollars over the coming half year with a cap price of A$1.00/US$0.7250 and floor price of A$1.00/US$0.6775.

Koolan Island Seawall Insurance Claim

Mount Gibson has insurance policies for a variety of circumstances, including property damage and business interruption. Discussions with the Company's insurers commenced in December 2014 with regard to the failure of the Koolan Island Main Pit seawall. As previously reported, the Company has received conditional confirmation from all of its insurers that its existing insurance policy would respond, subject to the insurers' further reviews and final determination.

The 12 month business interruption insurance period concluded during the December 2015 quarter, enabling Mount Gibson to prepare its total claim for submission. The Company will provide further updates as appropriate.

Likely Developments and Expected Results

Mount Gibson's overall objective is to maintain and grow long-term profitability through the discovery, development, operation and acquisition of mineral resources. As an established producer and seller of hematite iron ore, Mount Gibson's strategy is to grow its profile as a successful and profitable supplier of raw materials.

Key influences on the success of Mount Gibson are not only iron ore and foreign exchange prices but also consistency in government policy, the continued attainment of regulatory approvals, the ability to delineate new mineral resources and ore reserves, and the continued control of operating and capital costs.

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[3] Refer to Mount Gibson's ASX releases of 17 August 2015.

The Board's 2015/16 corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash for value-accretive investments. As previously disclosed in its 2014/15 annual financial statements, the Board has determined the following key business objectives for the 2015/16 financial year:

- **Extension Hill** - operate the mine at an increased output rate and pursue necessary regulatory government approvals for the development of the Extension Hill South project area to extend the operational life of the Extension Hill mine beyond the current end of the reserve life, currently expected in early 2017.
- **Koolan Island** – recommence mining of remnant ore in the Acacia East satellite pit in the first half of FY2016 and thereafter place the site on care and maintenance, and undertake the detailed work required to investigate the redevelopment potential of the Koolan Island Main Pit orebody.
- **Koolan Island seawall insurance claim** - progress and finalise the insurance claim.
- **Koolan Island Logistic Base** – progress the business case with end-users and formalise the commercial arrangements with partner Qube Holdings Limited while ensuring the capability for future re-start of mining operations.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business through further supplier cost reductions and productivity gains.
- **Treasury returns** - increase the yield on the Group's cash reserves.
- **Growth projects** - continuation of the search for business development opportunities in the resources sector.

Extension Hill Outlook

The Company continues to implement operational changes at Extension Hill identified through the ongoing business efficiency programme to reduce gross expenditure and allow potential to flex short term production while having no material impact on unit costs. Guidance for all-in site cash costs[4] remains at $44-47/wmt for the 2015/16 financial year.

Adjusting the mining rate will also potentially extend the operational life of the Extension Hill open pit to early 2017, subject to there being no further material and sustained deterioration of market conditions.

The Company continues to review its activities in the context of prevailing market conditions and the future outlook for iron ore prices on the basis of what is in the best interests of the Company and all shareholders. This includes closely monitoring the viability of continuing operations at Extension Hill with regard to both mine cashflows as well as historical fixed infrastructure and transport obligations that would become payable on early closure. These obligations, which reduce with cumulative sales tonnage, totalled approximately $26 million at 31 December 2015, compared with $45 million at 30 June 2015.

Koolan Island Outlook

The mining campaign at Acacia East is on schedule for completion during the March 2016 quarter, with final sales of Acacia East material anticipated to occur in late March or early April 2016. The all-in cash cost of the Acacia East material, before royalties, is expected to be between $38-40/wmt which, at prevailing iron ore prices will generate a modest cash margin.

Following the completion of shipments from Acacia East, Koolan Island will transition to care and maintenance while activities continue with regard to evaluating options to potentially reinstate the Main Pit seawall and progress the proposed Koolan Island Logistics Base (KILB).

Geotechnical drilling at the Main Pit seawall to provide technical data for the evaluation of potential rebuild options commenced late in the December half-year and was completed in January. Separately, mine optimisation work has identified options to redesign the Main Pit mine plan and potentially significantly reduce future waste stripping ratios, offset by a reduction in the likely volume of recoverable material. This work has been very encouraging, however technical complexity and the uncertain outlook for iron ore prices continues to make any immediate decision on reconstruction of the seawall and resumption of Main Pit production challenging.

Group Sales Guidance and Cash Costs Guidance

Mount Gibson expects its annual sales for the 2015/16 financial year to be between 4.5 and 5.0 million wmt of iron ore at an average all-in group cash cost[5] of $50-54/wmt FOB, equivalent to US$35-38/wmt at an exchange rate of A$1.00/US$0.70.

DIVIDENDS

An interim dividend for the half-year ended 31 December 2015 has not been declared given the presently depressed iron ore price environment and the Group's continued search for business acquisition opportunities.

SIGNIFICANT EVENTS AFTER BALANCE DATE

As at the date of this report there are no significant events after balance date of the Company or 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.

[4] Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations.
[5] All-in group cash costs are reported FOB and include cash operating expenditure, royalties, capital expenditure and corporate costs.

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 10, which forms part of this report.

Signed in accordance with a resolution of the Directors.

Lee Seng Hui
Chairman
16 February 2016

Competent Persons Attribution:

Mineral Resources for the Shine Deposit:

The information in this report relating to Mineral Resources for the Shine deposit is based on information compiled by Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Ms Haren was a full-time employee of, and now is a consultant to, Mount Gibson Iron Limited. Ms Haren 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'. Ms Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Mineral Resources for the Iron Hill deposit at Extension Hill South:

The information in this report relating to the Mineral Resources of the Iron Hill deposit at Extension Hill South is based on information compiled by Jani Kalla, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Kalla was a full-time employee of Mount Gibson Iron Limited and is now a full time employee of First Quantum Minerals Limited. Mr Kalla has sufficient experience that is relevant to the style of mineralisation and type of deposits 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'. Mr Kalla consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

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Auditor's independence declaration to the directors of Mount Gibson Iron Limited

As lead auditor for the review of Mount Gibson Iron Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mount Gibson Iron Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
16 February 2016

Interim Consolidated Income Statement

For the half-year ended 31 December

	Notes	31 December 2015 $'000	31 December 2014 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	124,016	179,769
Other revenue	3[a]	4,632	7,219
TOTAL REVENUE		**128,648**	**186,988**
Cost of sales	4[b]	(114,314)	(171,926)
Impairment of ore inventories	8[ii]	(2,380)	(27,354)
GROSS PROFIT/(LOSS)		**11,954**	**(12,292)**
Other income	3[b]	3,872	147
Consumables stock obsolescence		-	(4,700)
Impairment of consumables inventories	8[i]	(6,808)	(3,900)
Impairment of mine properties	11	(2,135)	(707,986)
Impairment of property, plant and equipment	9	(9,648)	(183,106)
Impairment of deferred acquisition, exploration and evaluation	10	(2,642)	(17,606)
Exploration expenses		(35)	(60)
Administration expenses	4[c]	(8,714)	(16,228)
LOSS FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**(14,156)**	**(945,731)**
Finance costs	4[a]	(987)	(1,579)
LOSS FROM CONTINUING OPERATIONS BEFORE TAX		**(15,143)**	**(947,310)**
Tax benefit/(expense)	5	-	106,900
LOSS AFTER TAX FROM CONTINUING OPERATIONS		(15,143)	(840,410)
DISCONTINUED OPERATIONS			
Loss after tax for the period from discontinued operations	17	(294)	(29,383)
LOSS FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**(15,437)**	**(869,793)**
Loss per share (cents per share)			
▪ basic loss per share		(1.42)	(79.74)
▪ diluted loss per share		(1.42)	(79.74)
Loss per share (cents per share) for continuing operations			
▪ basic loss per share		(1.39)	(77.05)
▪ diluted loss per share		(1.39)	(77.05)

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December

	31 December 2015 $'000	31 December 2014 $'000
LOSS FOR THE PERIOD AFTER TAX	**(15,437)**	**(869,793)**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	31	(6,736)
Reclassification adjustments for (gains)/losses on cash flow hedges transferred to the Income Statement	-	(809)
Deferred income tax on cash flow hedges	-	720
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**31**	**(6,825)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(15,406)**	**(876,618)**

Interim Consolidated Balance Sheet

As at 31 December 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	58,532	91,003
Term deposits	7	287,000	243,000
Trade and other receivables		5,235	15,354
Inventories	8	22,007	21,078
Prepayments		3,974	3,304
Derivative financial assets		493	-
TOTAL CURRENT ASSETS		**377,241**	**373,739**
NON-CURRENT ASSETS			
Property, plant and equipment	9	15,159	31,494
Deferred acquisition, exploration and evaluation costs	10	650	2,924
Mine properties	11	-	3,205
TOTAL NON-CURRENT ASSETS		**15,809**	**37,623**
TOTAL ASSETS		**393,050**	**411,362**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		47,619	49,664
Interest-bearing loans and borrowings	13	3,505	2,619
Provisions		11,791	13,802
TOTAL CURRENT LIABILITIES		**62,915**	**66,085**
NON-CURRENT LIABILITIES			
Provisions		39,935	39,584
Interest-bearing loans and borrowings	13	-	119
TOTAL NON-CURRENT LIABILITIES		**39,935**	**39,703**
TOTAL LIABILITIES		**102,850**	**105,788**
NET ASSETS		**290,200**	**305,574**
EQUITY			
Issued capital	14	568,328	568,328
Accumulated losses		(1,259,234)	(1,243,797)
Reserves		981,106	981,043
TOTAL EQUITY		**290,200**	**305,574**

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	Notes	31 December 2015 $'000	31 December 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		134,263	225,473
Payments to suppliers and employees		(128,036)	(305,512)
Interest paid		(195)	(414)
Income tax received		-	7,958
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		**6,032**	**(72,495)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,955	8,023
Proceeds from sale of property, plant and equipment		2,244	1,198
Purchase of property, plant and equipment		(1,100)	(48,656)
Payment from/(for) term deposits		(44,000)	169,300
Payment for deferred exploration and evaluation expenditure		(403)	(4,688)
Payment for mine properties		-	(338)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(38,304)**	**124,839**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from insurance premium funding facility		4,151	5,679
Repayment of lease liabilities		(3,752)	(9,657)
Borrowing costs		(261)	(496)
Dividends paid		-	(43,632)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**138**	**(48,106)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(32,134)	4,238
Net foreign exchange difference		(337)	(282)
Cash and cash equivalents at beginning of period		91,003	70,471
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6[a]	**58,532**	**74,427**

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Attributable to Equity Holders of the Parent						
	Issued Capital $'000	**Retained Earnings/ (Accumulated Losses) $'000**	**Share Based Payments Reserve $'000**	**Net Unrealised Gains / (Losses) Reserve $'000**	**Dividend Distribution Reserve $'000**	**Other Reserves $'000**	**Total Equity $'000**
At 1 July 2014	**568,328**	**675,519**	**19,687**	**1,676**	**-**	**(3,192)**	**1,262,018**
Loss for the period	-	(869,793)	-	-	-	-	**(869,793)**
Other comprehensive loss	-	-	-	(6,825)		-	**(6,825)**
Total comprehensive loss for the period	**-**	**(869,793)**	**-**	**(6,825)**	**-**	**-**	**(876,618)**
Transactions with owners in their capacity as owners							
- Dividends paid	-	(43,632)	-	-	-	-	**(43,632)**
Share-based payments	-	-	192	-	-	-	**192**
At 31 December 2014	**568,328**	**(237,906)**	**19,879**	**(5,149)**	**-**	**(3,192)**	**341,960**
At 1 July 2015	**568,328**	**(1,243,797)**	**19,973**	**-**	**964,262**	**(3,192)**	**305,574**
Loss for the period	-	(15,437)	-	-	-	-	**(15,437)**
Other comprehensive income	-	-	-	31	-	-	**31**
Total comprehensive loss for the period	**-**	**(15,437)**	**-**	**31**	**-**	**-**	**(15,406)**
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	-	-	**-**
Share-based payments	-	-	32	-	-	-	**32**
At 31 December 2015	**568,328**	**(1,259,234)**	**20,005**	**31**	**964,262**	**(3,192)**	**290,200**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2015

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 2015, was authorised for issue in accordance with a resolution of the Directors on 16 February 2016.

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 Koolan Island and Extension Hill, the sale of iron ore products, and the 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 2015 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 for the year ended 30 June 2015. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson Iron Limited during and subsequent to the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities 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) Significant accounting policies

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 2015.

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

(c) Key accounting estimates, judgements and assumptions

Estimates, judgements and assumptions used in developing and applying the Group's accounting policies are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The significant estimates, judgements and assumptions are consistent with those applied by the Group in its annual consolidated financial statements for the year ended 30 June 2015. In particular, judgement has been made with respect to the impairment adjustments set out in Note 12.

	Notes	31 December 2015 $'000	31 December 2014 $'000

3. Revenue and Other Income

	Notes	31 December 2015 $'000	31 December 2014 $'000
[a] Revenue			
Sale of ore		124,016	180,623
Realised loss on foreign exchange hedges		-	(854)
		124,016	179,769
Other revenue			
Interest revenue		4,632	7,219
		4,632	7,219
[b] Other income			
Net realised gain on foreign exchange transactions		607	-
Net gain on sale of property, plant and equipment		2,102	-
Foreign exchange derivatives mark-to-market gain		461	-
Other income		702	147
		3,872	147

4. Expenses

	Notes	31 December 2015 $'000	31 December 2014 $'000
[a] Finance costs			
Finance charges on banking facilities		408	736
Finance charges payable under finance leases		71	222
		479	958
Non-cash interest accretion on rehabilitation provision		508	621
		987	1,579
[b] Cost of Sales			
Mining and administration costs		42,756	134,297
Depreciation – mining and administration		3,381	15,674
Mining waste costs deferred	11[a]	-	(92,683)
Amortisation of mining waste costs deferred	11[a]	-	20,117
Amortisation of mine properties	11[a]	1,070	12,129
Crushing costs		6,927	19,457
Depreciation – crushing		622	3,377
Transport costs		49,982	41,723
Depreciation – transport		1,248	4,415
Port costs		8,336	11,123
Depreciation – port		2,008	3,810
Royalties		9,743	17,595
Net ore inventory movement		(11,759)	(19,108)
		114,314	171,926
[c] Administration Expenses include:			
Depreciation		355	349
Share-based payments expense		32	192
Net unrealised loss on foreign exchange balances		337	281
Net loss on sale of property, plant and equipment		-	139
Impairment of debtors		403	-
[d] Cost of Sales & Administration Expenses include:			
Salaries, wages expense and other employee benefits		16,176	50,926
Operating lease rental – minimum lease payments		732	9,772

5. Taxation

Reconciliation of tax benefit

A reconciliation of tax benefit applicable to accounting loss before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the period ended 31 December 2015 and 2014 is as follows:

	31 December 2015 $'000	31 December 2014 $'000
Accounting loss before tax	(15,437)	(966,876)
• At the statutory income tax rate of 30% (2014: 30%)	(4,631)	(290,063)
• Expenditure not allowed for income tax purposes	150	247
• Overs / Unders	-	(703)
• Derecognised/unrecognised deferred tax assets	2,675	147,654
• Other	1,806	(217)
Minerals resource rent tax expense	-	45,999
Tax benefit	-	(97,083)
Effective tax rate	0.0%	10.0%
Tax benefit reported in Income Statement	**-**	**(97,083)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2015 $'000	31 December 2014 $'000
• Tax losses	73,027	25,761
• Non-current assets	88,368	121,893
	161,395	147,654

The Company has $61,485,000 of franking credits available as at 31 December 2015.

	31 December 2015 $'000	30 June 2015 $'000

6. Cash and Cash Equivalents

[a] Reconciliation of cash

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:

	31 December 2015 $'000	30 June 2015 $'000
Cash at bank and in hand	28,532	46,003
Short-term deposits	30,000	45,000
	58,532	**91,003**

		31 December 2015 $'000	30 June 2015 $'000

7. Term Deposits

		31 December 2015 $'000	30 June 2015 $'000
Current			
Receivables – term deposit	[i]	210,000	210,000
Receivables – subordinated notes	[ii]	77,000	33,000
		287,000	**243,000**

[i] Term deposits are made for varying periods of between three and twelve months depending on the term cash requirements of the Group, and earn interest at market term deposit rates.

[ii] Subordinated notes comprise tradeable floating interest rate instruments with maturities of up to ten years.

	Notes	31 December 2015 $'000	30 June 2015 $'000

8. Inventories

Consumables – at cost		19,878	22,828
Allowance for stock obsolescence		(8,394)	(9,702)
Allowance for impairment of consumables inventories	[i]	(7,147)	(339)
		4,337	12,787
Ore – at cost		37,848	28,999
Allowance for impairment of ore inventories	[ii]	(20,178)	(20,708)
		17,670	8,291
		22,007	**21,078**

[i] Consumables inventory held at Koolan Island which is not considered obsolete but as a result of reduced mining activity may not be used and may potentially be sold has been assessed and written down to its recoverable value. In determining the recoverable value, factors such as current market pricing from suppliers, current location and condition have been considered. The impairment realised for the half-year ended 31 December 2015 was $6,808,000 (half-year ended 31 December 2014: $3,900,000).

[ii] At 31 December 2015, the Group assessed the carrying values of ore inventories stockpiled at each of the three mine sites. Assumptions used in the assessment include prevailing and anticipated iron ore prices and exchange rates, ore specifications, estimated costs to make the ore inventories available for sale, and associated sales and shipping freight costs.

Based on these assumptions, the following impairments of ore inventories were recognised during the half-year period:

	Half-Year ended 31 Dec 2015 $'000	Half-Year ended 31 Dec 2014 $'000
Tallering Peak	-	6,332
Extension Hill	2,380	-
Koolan Island	-	27,354
Total loss on impairment	**2,380**	**33,686**

	Notes	31 December 2015 $'000	30 June 2015 $'000

9. Property, Plant and Equipment

Property, plant and equipment – at cost		504,390	523,672
Accumulated depreciation and impairment		(489,231)	(492,178)
		15,159	**31,494**
[a] Reconciliation			
Carrying amount at the beginning of the period		31,494	223,186
Additions		1,071	51,940
Disposals		(114)	(1,291)
Depreciation expense – continuing operations		(7,614)	(36,132)
Depreciation expense – discontinued operations		(30)	(734)
Depreciation capitalised		-	(22)
Impairment loss	12	(9,648)	(203,213)
Transfers to mine properties		-	(2,240)
		15,159	31,494

Property, plant and equipment has been assessed for impairment at balance date, with the carrying values of property, plant and equipment associated with the Koolan Island and Extension Hill operations written down to their fair values less costs to sell. The write-downs reflect the current depressed market for plant and equipment sales, the isolation of the site and the estimated removal, demobilisation and selling costs.

	Notes	31 December 2015 $'000	30 June 2015 $'000

10. Deferred Acquisition, Exploration and Evaluation Costs

Deferred acquisition, exploration and evaluation – at cost		22,511	22,143
Allowance for impairment	[i]	(21,861)	(19,219)
		650	**2,924**

[i] During the half-year ended 31 December 2015, expenditure totalling $51,000 was incurred on the Fields Find and Shine Projects. Consistent with the accounting treatment for both projects as at 30 June 2015, the Shine Project was fully impaired and the Fields Find Project was impaired to its fair value less costs to sell of $650,000 by reference to a recent offer (Level 3 on the Fair Value hierarchy), as at 31 December 2015.

The Group's deferred acquisition, exploration and evaluation costs for the Iron Hill Project were assessed at 31 December 2015. The Company continues to evaluate possible mine plans for the Iron Hill Project and, at balance date, had concluded that the potential future economics of the Project would likely be similar to those of the Extension Hill Main Pit given Iron Hill's similar mineralisation and, other than the need for a new 3km haul road, planned usage of the same processing and transport infrastructure. Given that the carrying value of the Extension Hill operation is being impaired (refer Notes 11 and 12), the Company has determined that the existing Iron Hill carrying value is not recoverable at current iron ore prices and exchange rates, either through its development or sale, and therefore should be fully impaired. Accordingly, the carrying amount for the Iron Hill Project of $2,591,000 was fully impaired as at 31 December 2015.

	Notes	31 December 2015 $'000	30 June 2015 $'000

11. Mine Properties

Mine development expenditure		1,537,337	1,537,337
Accumulated amortisation and impairment		(1,537,337)	(1,534,132)
		-	**3,205**

[a] Reconciliation

	Koolan Island		Extension Hill		Total	
	31-Dec-15 $'000	30-Jun-15 $'000	31-Dec-15 $'000	30-Jun-15 $'000	31-Dec-15 $'000	30-Jun-15 $'000
Deferred waste						
Carrying amount at the beginning of the period	-	354,204	-	-	-	354,204
Deferred waste capitalised	-	92,683	-	-	-	92,683
Amortisation expensed	-	(20,117)	-	-	-	(20,117)
Impairment loss [Note 12]	-	(426,770)	-	-	-	(426,770)
Carrying amount at the end of the period	**-**	**-**	**-**	**-**	**-**	**-**
Other mine properties						
Carrying amount at the beginning of the period	-	276,877	3,205	24,650	3,205	301,527
Additions	-	-	-	-	-	-
Mine rehabilitation – revised estimate	-	181	-	(388)	-	(207)
Transferred from capital works in progress	-	2,240	-	-	-	2,240
Amortisation expensed	-	(8,392)	(1,070)	(5,816)	(1,070)	(14,208)
Impairment loss [Note 12]	-	(270,906)	(2,135)	(15,241)	(2,135)	(286,147)
Carrying amount at the end of the period	**-**	**-**	**-**	**3,205**	**-**	**3,205**
Total mine properties	**-**	**-**	**-**	**3,205**	**-**	**3,205**

12. Impairment of Assets

The Group reviews the carrying value of its assets at each balance date. During the half-year ended 31 December 2015, the following material events occurred which were considered indicators of impairment:

- the benchmark price of iron ore, being the Company's sole product, decreased significantly from US$59.50 per dry metric tonne (dmt) as at 30 June 2015 to US$43.25/dmt as at 31 December 2015, a reduction of 27%, and declined further following the period end; and
- as at 31 December 2015, the market capitalisation of the Group was below the book value of its equity.

Accordingly, the Group has performed an impairment assessment of both the Koolan Island and Extension Hill Cash Generating Units ('CGU'). Based on this assessment, the following impairment amounts have been recognised in the half-year financial report for each CGU:

	31 December 2015 $'000	31 December 2014 $'000
Koolan Island	1,906	844,392
Extension Hill	9,877	46,700
Total loss on impairment of non-current assets	**11,783**	**891,092**

The above impairment values have been allocated proportionately to each CGU's non-current assets as follows:

	Koolan Island		Extension Hill		Total	
	6 months to 31-Dec-15 $'000	6 months to 31-Dec-14 $'000	6 months to 31-Dec-15 $'000	6 months to 31-Dec-14 $'000	6 months to 31-Dec-15 $'000	6 months to 31-Dec-14 $'000
Deferred waste	-	426,770	-	-	-	426,770
Other mine properties	-	270,724	2,135	10,492	2,135	281,216
Total mine properties	-	697,494	2,135	10,492	2,135	707,986
Property, plant and equipment	1,906	146,898	7,742	36,208	9,648	183,106
Total impairment of non-current assets	**1,906**	**844,392**	**9,877**	**46,700**	**11,783**	**891,092**

The Group assessed the recoverable amount of each CGU as at 31 December 2015 which is considered to be the higher of the fair value less cost to sell and Value In Use ('VIU'). The Group has used the VIU method where VIU is assessed as the present value of future cash flows expected to be derived from the relevant CGU under review.

The following assumptions were used in determining the VIU for each CGU:

- Cashflow forecasts for the life of each CGU were made based on recent actual performance, budgets and anticipated revenues and estimated operating and capital costs over the relevant life of mine;
- Discount rates for Extension Hill and Koolan Island of 12.0% (nominal, before and after tax due to a full tax shelter from allowable deductions);
- Revenue and cost inflation estimates of 2.0% per year; and
- Base case iron ore price forecast for the 62% Fe benchmark fines CFR price (northern China) of US$42/dmt at an exchange rate of A$1.00/US$0.70, with sensitivities undertaken for a range of these inputs.

The cashflow estimates for the Koolan Island and Extension Hill CGUs are most sensitive to changes in iron ore prices and the A$/US$ foreign exchange rate. It is estimated that changes in key assumptions would impact recoverable amounts as 31 December 2015 as follows:

- An increase in the benchmark 62% Fe fines CFR iron ore price by 10% to US$46.20/dmt would not impact the impairment for Koolan Island or Extension Hill.
- A reduction in the A$/US$ exchange rate by 10% to A$1.00/US$0.63 would not impact the impairment for Koolan Island or Extension Hill.

	Notes	31 December 2015 $'000	30 June 2015 $'000

13. Interest-Bearing Loans and Borrowings

Current			
Hire purchase facility	[a]	593	2,044
Insurance premium funding facility	[b]	2,912	575
		3,505	**2,619**
Non-Current			
Hire purchase facility	[a]	-	119
		-	**119**

Financing facilities available

The following financing facilities had been negotiated and were available at the reporting date:

Total facilities:			
• Hire purchase facility	[a]	593	2,163
• Insurance premium funding facility	[b]	2,912	575
• Performance bonding facility	[c]	55,000	65,000
		58,505	**67,738**
Facilities used at reporting date:			
• Hire purchase facility	[a]	593	2,163
• Insurance premium funding facility	[b]	2,912	575
• Performance bonding facility	[c]	34,965	41,788
		38,470	**44,526**
Facilities unused at reporting date:			
• Hire purchase facility	[a]	-	-
• Insurance premium funding facility	[b]	-	-
• Performance bonding facility	[c]	20,035	23,212
		20,035	**23,212**

Terms and conditions relating to the above financial facilities:

[a] **Hire purchase facility**

Hire purchase arrangements have been entered into by Group entities Koolan Iron Ore Pty Ltd and Mount Gibson Mining Ltd with Komatsu Corporate Finance Pty Limited and National Australia Bank Limited. Hire purchase amounts are repayable monthly with final instalments due in August 2016. Interest is charged at an average rate of 7.68% pa. The facilities 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$.

[b] **Insurance premium funding facility**

Insurance premium funding arrangements of $4,151,000 have been entered into by the Group to fund its annual insurance premiums. Interest is charged at 1.86% pa. The loan is repayable monthly with the final instalment due in July 2016.

[c] **Performance bonding facility**

In May 2011, the Company entered into a facility agreement comprising a corporate loan facility and a performance bonding facility. The undrawn corporate loan facility was cancelled in full in April 2013. The performance bonding facility, which totals $55.0 million and was drawn to $35 million as at 31 December 2015, will expire on 30 June 2017 unless extended.

The security pledge for the performance bonding 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 2015 $'000	30 June 2015 $'000

14. Issued Capital

[a] Ordinary shares

Issued and full paid	[b]	**568,328**	**568,328**

	31 December 2015	
	Number of Shares	**$'000**
[b] Movement in ordinary shares on issue		
Beginning of the half-year	1,090,805,085	568,328
Shares issued	-	-
End of the half- year	1,090,805,085	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

During the 6 month period to 31 December 2015, no performance rights were issued.

A total of 474,350 performance rights vested as at 31 December 2015 upon the Board exercising its discretion under the Company's Performance Rights Plan and, accordingly, 474,350 ordinary shares were issued on 4 January 2016.

As at 31 December 2015, there were 711,500 performance rights on issue (30 June 2015: 1,185,850).

15. Dividends Paid and Proposed

No dividends were declared and paid during the period.

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

For management purposes, the Group has organised its operating segments into two reportable segments as follows:

- Extension Hill segment – this segment includes the mining, crushing, transportation and sale of iron ore.
- Koolan Island segment – this segment includes the mining, crushing and sale of iron ore. These activities are presently expected to be completed by the end of April 2016, following which the site will be placed on care and maintenance.

Operating results for discontinued operations have been excluded from the segment results below.

16. Operating Segments (Continued)

Half-Year Ended:	Extension Hill		Koolan Island		Other*		Consolidated	
	31 December 2015 $'000	31 December 2014 $'000	31 December 2015 $'000	31 December 2014 $'000	31 December 2015 $'000	31 December 2014 $'000	31 December 2015 $'000	31 December 2014 $'000
Segment revenue								
Revenue from sale of iron ore	91,871	102,409	32,145	77,360	-	-	124,016	179,769
Other revenue	-	-	-	-	4,632	7,219	4,632	7,219
Segment revenue	**91,871**	**102,409**	**32,145**	**77,360**	**4,632**	**7,219**	**128,648**	**186,988**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	14,583	21,662	3,449	41,026	109	(8,596)	18,141	54,092
Impairment losses	(12,257)	(46,700)	(8,714)	(875,646)	(2,642)	(17,606)	(23,613)	(939,952)
Earnings/(loss) before interest, tax, depreciation and amortisation	2,326	(25,038)	(5,265)	(834,620)	(2,533)	(26,202)	(5,472)	(885,860)
Depreciation and amortisation	(5,434)	(15,473)	(2,895)	(44,049)	(355)	(349)	(8,684)	(59,871)
Segment result	**(3,108)**	**(40,511)**	**(8,160)**	**(878,669)**	**(2,888)**	**(26,551)**	**(14,156)**	**(945,731)**
Finance costs							(987)	(1,579)
Loss before tax and discontinued operations							**(15,143)**	**(947,310)**
Items included in segment result:								
Impairment of consumables inventories	-	-	6,808	3,900	-	-	6,808	3,900
Impairment of ore inventories	2,380	-	-	27,354	-	-	2,380	27,354
Impairment of property, plant and equipment	7,742	36,208	1,906	146,898	-	-	9,648	183,106
Impairment of mine development	2,135	10,492	-	697,494	-	-	2,135	707,986
Impairment of exploration and evaluation expenditure	-	-	-	-	2,642	17,606	2,642	17,606
	12,257	46,700	8,714	875,646	2,642	17,606	23,613	939,952

* 'Other' revenue includes interest revenue and corporate expenses such as head office salaries and wages.

16. Operating Segments (Continued)

	Extension Hill		Koolan Island		Other		Consolidated	
	31 December 2015 $'000	30 June 2015 $'000	31 December 2015 $'000	30 June 2015 $'000	31 December 2015 $'000	30 June 2015 $'000	31 December 2015 $'000	30 June 2015 $'000
Segment assets								
Current financial assets	5,191	12,424	5,457	6,331	340,611	330,602	351,259	349,357
Other current assets	14,610	9,500	9,136	12,452	2,236	2,430	25,982	24,382
Property, plant and equipment	2,865	7,897	10,817	15,306	1,477	8,291	15,159	31,494
Deferred acquisition, exploration and evaluation	-	2,274	-	-	650	650	650	2,924
Mine properties	-	3,205	-	-	-	-	-	3,205
Total assets	**22,666**	**35,300**	**25,410**	**34,089**	**344,974**	**341,973**	**393,050**	**411,362**
Segment liabilities								
Financial liabilities	(29,392)	(32,362)	(11,815)	(11,641)	(9,920)	(8,399)	(51,127)	(52,402)
Other liabilities	(9,979)	(9,916)	(35,451)	(35,777)	(6,293)	(7,693)	(51,723)	(53,386)
Total liabilities	**(39,371)**	**(42,278)**	**(47,266)**	**(47,418)**	**(16,213)**	**(16,092)**	**(102,850)**	**(105,788)**
Net assets/(liabilities)	**(16,705)**	**(6,978)**	**(21,856)**	**(13,329)**	**328,761**	**325,881**	**290,200**	**305,574**

	31 December 2015 $'000	31 December 2014 $'000

17. Discontinued Operations

The Tallering Peak operation is reported as a discontinued operation in this financial report. Mining was completed in June 2014 with the final ore shipment made in December 2014.

[a] Loss from discontinued operations

The financial results of the Tallering Peak operation for the period are presented below:

	31 December 2015 $'000	31 December 2014 $'000
Revenue	-	9,088
Cost of sales	-	(21,484)
Impairment of ore inventories	-	(6,332)
Gross loss	-	(18,728)
Other expenses	(294)	(836)
Loss before tax and finance costs from discontinued operations	(294)	(19,564)
Finance costs	-	(2)
Loss before tax from discontinued operations	(294)	(19,566)
Income tax expense	-	(9,817)
Net loss after tax from discontinued operations	(294)	(29,383)
Loss per share (cents per share):		
▪ basic loss per share	(0.03)	(2.69)
▪ diluted loss per share	(0.03)	(2.69)

[b] Cash flow from discontinued operations

The net cash flows incurred by Tallering Peak operation are as follows:

	31 December 2015 $'000	31 December 2014 $'000
Operating	(490)	(14,731)
Investing	-	-
Financing	-	(231)
Net cash outflow from discontinued operations	**(490)**	**(14,962)**

18. 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 predominantly denominated in US$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cash flows 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 and collar option contracts that meet the criteria of cash flow hedges.

During the 6 month period ended 31 December 2015, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2015, the notional amount of the foreign exchange hedge book totalling US$24,000,000 is made up exclusively of collar option contracts with maturity dates due in the 3 months ending 31 March 2016 and with a cap price of A$1.00/US$0.7250 and a floor price of A$1.00/US$0.6775.

As at 31 December 2015, the mark-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US$24,000,000 was A$493,000.

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

The Group uses the following derivative instruments to manage foreign currency risk from time to time as business needs and conditions dictate:

Instrument	Type of Hedging	Objective
Forward exchange contracts	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate.
Collars	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate by limiting exposure to exchange rates within a certain range of acceptable rates.

[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 values of derivative financial instruments are determined using the Level 2 method requiring fair value to be calculated using short and long term 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 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 2015 are shown below.

	Carrying Amount $'000	Fair Value $'000
Financial assets - current		
Cash	28,532	28,532
Short-term deposits	30,000	30,000
Term deposits	287,000	287,000
Trade debtors	602	602
Other receivables	4,633	4,633
Derivatives	493	493
	351,260	351,260
Financial liabilities – current		
Trade and other payables	47,616	47,616
Interest-bearing liabilities	3,505	3,505
	51,121	51,121
Net financial assets	**300,139**	**300,139**

19. Events After Balance Sheet Date

As at the date of this report, there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

20. Commitments

At 31 December 2015, the Group has commitments of:

- $3,708,000 (31 December 2014: $4,390,000) relating to operating leases for the provision of mobile fleet equipment and office rental;
- $593,000 (31 December 2014: $4,126,000) under finance leases and hire purchase liabilities which have been recognised in the balance sheet;
- $49,129,000 (31 December 2014: $95,415,000) relating to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- $162,000 (31 December 2014: $1,256,000) relating to capital commitments for the purchase of property, plant and equipment principally at Extension Hill.

21. 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 was a director of Shougang Concord International Trading Pty Ltd (**SCIT**), and Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**).

The following sale agreements were in place with director-related entities during the period:

- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production over the life of mine.
- One ad hoc spot sale of iron ore from Extension Hill.

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

- Sold 148,846 wmt (2014: 245,180 wmt) of iron ore to APAC; and
- Sold 724,242 wmt (2014: 779,669 wmt) of iron ore to SCIT.

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

	31 December 2015 $'000	30 June 2015 $'000
Assets and Liabilities		
Current Assets		
Trade receivables - APAC	375	-
Trade receivables - SCIT	452	2,105
Total trade receivables	827	2,105
Total Assets	**827**	**2,105**
Current Liabilities		
Trade payables – APAC	-	129
Trade payables - SCIT	-	-
Total trade payables	-	129
Total Liabilities	**-**	**129**

	31 December 2015 $'000	31 December 2014 $'000
Net Sales Revenues		
Net sales revenue - APAC	7,044	17,635
Net sales revenue - SCIT	28,124	45,946
	35,168	**63,581**

22. Contingent Liabilities

1. The Group has a performance bonding facility drawn to a total of $34,965,000 (30 June 2015: $41,788,000). The performance bonds secure the Group's obligations relating to environmental matters and historical infrastructure upgrades.
2. 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 for the half-year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2015 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.

Lee Seng Hui
Chairman

16 February 2016

Building a better
working world

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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 (the company), which comprises the interim consolidated balance sheet as at 31 December 2015, the interim consolidated income statement, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity. The consolidated entity comprises 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 complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that 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 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. 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:

a. the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance 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. the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 February 2016