APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2016 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 2016
Previous Corresponding Period:	Half-Year ended 31 December 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Down 22% to	$99.8
Profit/(Loss) from continuing operations before tax	Up 230% to	$19.7
Net profit/(loss) after tax attributable to members of the Company	Up 249% to	$22.9

DIVIDENDS

No interim dividend has been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2016	31 December 2015
Net tangible assets	*A$ mill*	$415.1	$290.2
Fully paid ordinary shares on issue at balance date	*#*	1,096,562,516	1,090,805,085
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	37.9	26.6

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 2016 and any public announcements made by Mount Gibson during and after the half-year year ended 31 December 2016 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 2016

Financial Report

For the half-year ended 31 December 2016

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2016 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*
Kin Chan	*Independent Non-Executive Director (from 22 September 2016)*
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 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 2016 continued to improve on the previous six months, in particular due to ongoing operational improvements and increases in realised iron ore prices.

At the beginning of the half-year the Platts Index for delivery of 62% Fe iron ore fines to northern China was approximately US$55 per dry metric tonne ("**dmt**") and, after being stable for much of the half-year, increased in November and December to finish the period at just under US$80/dmt, an increase of approximately 45%. Over the same period, the A$/US$ exchange rate traded consistently between US$0.72 and US$0.77, resulting in higher realised prices and a general improvement in the Company's cash flow generating capacity. However, it is important to note that although the high grade benchmark iron ore price (for 62% Fe fines material) increased significantly, the rise in the market prices for lower and medium grade iron ore was far more modest, for example with the benchmark price for 58% Fe fines material increasing approximately only 16% over the same period.

Group ore sales totalled 1.8 million wet metric tonnes ("**Mwmt**") for the half-year reflecting a steady operational performance at Extension Hill and the sale of low grade remnant stockpiled material at the closed Tallering Peak mine site. Total sales revenue in the half-year was $101,993,000 comprising $93,810,000 from continuing operations at Extension Hill, and $8,183,000 from the discontinued Tallering Peak operation. Mount Gibson achieved an average realised price for standard iron ore fines product for the half-year of US$43/dmt Free On Board ("**FOB**") after grade and provisional pricing adjustments and penalties for impurities, compared with an average of US$34/dmt in the 2015/16 financial year. The weighted average realised price received for all products sold, on a wet tonnes basis, was $57/wmt FOB in the half-year period compared with $48/wmt FOB in the 2015/16 financial year.

Cash reserves, including term deposits and tradeable investments, increased by $46,480,000 over the half-year, including receipt of the $34,558,000 balance of the property damage component of the Koolan Island insurance claim agreed last financial year, to a total of $446,567,000 as at 31 December 2016.

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2016 are tabulated below.

Consolidated Group		**31 December 2016 $'000**	**31 December 2015 $'000**
Net profit/(loss) before tax from continuing and discontinued operations	*$'000*	**21,454**	**(15,437)**
Taxation benefit	*$'000*	1,481	-
Net profit/(loss) after tax attributable to members of the Company	*$'000*	**22,935**	**(15,437)**
Earnings/(loss) per share	*cents/share*	2.10	(1.42)

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

Consolidated Group	**Unit**	**Sept Quarter 2016**	**Dec Quarter 2016**	**Dec Half-Year 2016**	**Dec Half-Year 2015**
Mining and crushing					
Total waste mined	*kwmt*	328	28	**356**	**4,125**
Total ore mined#	*kwmt*	862	207	**1,069**	**3,393**
Total ore crushed	*kwmt*	773	728	**1,501**	**2,834**
Shipping/sales					
Standard DSO Lump	*kwmt*	417	362	**779**	**1,511**
Standard DSO Fines	*kwmt*	294	295	**589**	**1,071**
Low grade DSO	*kwmt*	175	239	**414**	**-**
Total	*kwmt*	887	896	**1,783**	**2,582**
Average Platts 62% Fe CFR northern China price	*US$/dmt*	59	71	65	**51**
MGX Free on Board (FOB) average realised fines price^	*US$/dmt*	37	49	43	**37**

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.

^ 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 lagged and provisional prices.

Minor discrepancies may appear due to rounding.

Extension Hill Hematite Operations

The Extension Hill mine achieved a sound operational performance in the December half-year. Shipments from Geraldton Port totalled 1,486,000 wmt, comprising 779,000 wmt of lump ore, 589,000 wmt of fines ore and 118,000 wmt of low grade lump material.

The mine was cashflow positive for the half-year, reflecting the ongoing focus on cost control and efficiency improvements, and in particular the higher realised iron ore prices experienced in the period.

Extension Hill's cost of sales for the half-year was $47/wmt compared with the average for the 2015/16 financial year of $50/wmt.

Mining was completed in the Extension Hill pit during November 2016. Sales of run-of-mine ore stockpiled during the final stage of mining will continue into the June half of 2017 while the Company develops the adjacent Iron Hill deposit. These sales will be augmented by sales from existing low grade stockpiles when suitable prices can be attained.

At the end of December, approximately 248,000 wmt of crushed finished product was stockpiled at the mine. Mine-site stockpiles of uncrushed lower grade material totalled 3.4 Mwmt. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 417,000 wmt.

Production and shipping statistics for the December 2016 half-year are tabulated below:

Extension Hill Production Summary	**Unit**	**Sept Quarter 2016 '000**	**Dec Quarter 2016 '000**	**Dec Half-Year 2016 '000**	**Dec Half-Year 2015 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	328	28	**356**	**1,026**	(65)
Standard ore mined	*wmt*	669	171	**840**	**2,003**	(58)
Low grade ore mined*	*wmt*	192	36	**228**	**388**	(41)
Total ore mined	*wmt*	**862**	**207**	**1,069**	**2,391**	**(55)**
Crushing						
Lump	*wmt*	452	439	**890**	**1,209**	(26)
Fines	*wmt*	321	289	**611**	**856**	(29)
		773	**728**	**1,501**	**2,065**	**(27)**
Transported to Perenjori Railhead						
Lump	*wmt*	399	440	**839**	**1,189**	(29)
Fines	*wmt*	348	265	**612**	**851**	(28)
		747	**705**	**1,451**	**2,040**	**(29)**
Transported to Geraldton Port						
Lump	*wmt*	416	441	**857**	**1,092**	(22)
Fines	*wmt*	309	235	**544**	**762**	(29)
		725	**676**	**1,401**	**1,854**	**(24)**
Shipping/Sales						
Lump	*wmt*	417	362	**779**	**1,064**	(27)
Fines	*wmt*	294	295	**589**	704	(16)
Low grade lump	*wmt*	-	118	**118**	-	-
		711	**775**	**1,486**	**1,768**	**(16)**

* 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.

Koolan Island Hematite Operations

During the half-year, activity at Koolan Island continued to be focused on the ongoing evaluation of the potential to reinstate the Main Pit seawall and recommence production. As previously indicated, Mount Gibson has committed $1.5 million to undertake detailed design work for the seawall, and detailed mine design and production scheduling. Mount Gibson expects to conclude its evaluation work in the March 2017 quarter.

The Group has already submitted referral documents to the Commonwealth Department of Environment in support of any future decision to proceed with the mine restart.

In the meantime, work on site is focused on general care and maintenance activities with the objective of ensuring the mobile and fixed assets on the Island are maintained in good working order for a potential redevelopment decision.

Tallering Peak Hematite Operations

During the period, Mount Gibson continued to monetise a number of shipments of remnant low grade material remaining at the closed Tallering Peak mine site. These spot sales, totalling 58,000 wmt of low grade lump material and 239,000 wmt of low grade fines material, generated a modest cash margin and, importantly, assisted with environmental rehabilitation at the Tallering Peak mine site. Final sales of this remnant material are expected in the March 2017 quarter.

EXPLORATION AND DEVELOPMENT

Extension Hill South (Iron Hill)

In December 2016[1], the planned development of the Iron Hill deposit was approved by Western Australia's Environment Minister. The Company also received approval for, and commenced, construction of the mine haul road. Final outstanding statutory approvals were received subsequent to the end of the period, enabling the Group to commence mine development activities[2].

In December 2016[3], Mount Gibson also entered into three 12 month offtake agreements with Chinese customers for Iron Hill which jointly represent approximately 70% of planned available production in the first year of operation. The agreements include

1 Refer ASX release dated 9 December 2016.
2 Refer ASX release dated 9 February 2017.
3 Refer ASX releases dated 24 November 2016, 25 November 2016 and 23 December 2016.

market-reflective pricing referenced to published industry benchmark prices, on a Cost and Freight (CFR) basis. The agreements were reached with Sinogiant Steel Holdings Group Ltd, Xinyu Iron & Steel Group Ltd and SCIT Trading Ltd, a subsidiary of Shougang Concord International Enterprises Co Ltd. The agreement with SCIT will require shareholder approval, for which a shareholder meeting is expected to be held in April 2017.

One-off development capital costs of approximately $2-3 million are anticipated for construction of the Iron Hill haul road and mine pre-stripping. Operational costs and product grades at Iron Hill are expected to be consistent with those at the Extension Hill deposit.

Iron Hill has a Total Mineral Resource of 8.8Mt @ 58.3% Fe. For details of Iron Hill's Mineral Resources, refer to the Company's Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2016[4].

Shine Project

The Total Mineral Resources at the Shine Project, located 85km north of Extension Hill, comprise 15.9 Mt @ 58.1% Fe[4]. The Shine 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, term deposit and tradeable investment balances totalled $446,567,000 as at 31 December 2016, an increase of $46,480,000 from the balance of $400,087,000 as at 30 June 2016. The increase reflected the improved iron ore prices and receipt of the $34,558,000 balance of the property damage component of the Koolan Island insurance claim agreed last financial year.

As at the balance date, the Group's current assets totalled $482,720,000 and its current liabilities totalled $35,475,000. 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 its operations and to advance its exploration and growth objectives.

Impairment Reversal

During the half-year ended 31 December 2016, the Group wrote back a previous impairment loss on inventories of $1,883,000 before tax comprising the write-back of iron ore inventories at its discontinued Tallering Peak mine site (by $1,731,000 due to increases in realised iron ore prices on inventory sold) and the write-back of consumables inventories (by $152,000).

As required by applicable Accounting Standards, at each balance date Mount Gibson reviews market and business circumstances to assess the carrying values of its non-current assets for indicators of impairment or reversals thereof. It is noted that, following the receipt of regulatory approvals for commencement of mining at Iron Hill, and subject to a formal decision to reinstate the Main Pit seawall and recommence operations at Koolan Island, it may be necessary for Mount Gibson to record further impairment reversals later in the current financial year.

Derivatives

As at 31 December 2016, the Group held foreign exchange collar option contracts covering the conversion of US$36,000,000 into Australian dollars over the coming half year with an average cap price of A$1.00/US$0.7533 and an average floor price of A$1.00/US$0.6947.

Towards the end of the half-year, Mount Gibson also took advantage of higher iron ore prices to enter into forward sales contracts covering 360,000 tonnes of anticipated production in the June half of 2017. The contracts comprise six shipments of 60,000 tonnes each, with monthly average prices for 62% Fe fines (CFR) ranging from US$70-76/dmt.

Koolan Island Seawall Insurance Claim

Discussions between Mount Gibson and its insurers in relation to the business interruption component of the Company's insurance claim continued during the December half-year. Given the ongoing status of these discussions it is premature to comment as to the likely outcome of this component of the claim. Mount Gibson will provide further updates as appropriate.

The business interruption component of the insurance claim is separate to the $86 million cash settlement of the property damage component of the insurance claim reached with the insurers in June 2016[5]. The final $34.6 million component of the June 2016 settlement amount was paid in full early in the half-year.

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 prices and foreign exchange rates 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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[4] Refer ASX release dated 31 August 2016.

[5] Refer ASX release dated 16 June 2016.

The Board's corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash reserves for value-accretive investments. The Board has determined the following key business objectives for the 2016/17 financial year:

- **Extension Hill** – following receipt of necessary regulatory government approvals, pursue development of the Iron Hill deposit to extend the operational life of the Extension Hill operation beyond the current end of the reserve life.
- **Koolan Island** – maintain the site on care and maintenance, and undertake the detailed work required to assess the viability of reinstating the Main Pit seawall and recommencing production.
- **Koolan Island seawall insurance claim** - progress and finalise the business interruption component of the claim.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** – maintain the increased yield on the Group's cash reserves.
- **Growth projects** - continuation of the search for business development opportunities in the resources sector.

Extension Hill Outlook

As previously reported, mining was completed in the Extension Hill pit during November 2016. Sales of run-of-mine ore stockpiled during the final stage of mining will continue into the June half of 2017. Following the end of the period, the Company secured the final outstanding approvals for development of the adjacent Iron Hill deposit and commenced initial development activities, with first ore sales expected in May 2017. Iron Hill sales will be augmented by sales from existing low grade stockpiles when suitable prices can be attained.

Historical fixed infrastructure and transport obligations relating to transport arrangements at Extension Hill will be fully amortised once Mount Gibson has railed 15 million tonnes on its contracted rail paths. These obligations continue to amortise at a rate of approximately $6/wmt of material railed, and totalled approximately $5 million at 31 December 2016, compared with $10 million at 30 September 2016.

Koolan Island Outlook

Activity at Koolan Island is now focused primarily on the ongoing evaluation of the potential to reinstate the Main Pit seawall and recommence production. Mount Gibson has now committed $1.5 million to undertake detailed design for the seawall, and mine design and production scheduling to achieve a material reduction in the average strip ratio and also a marked increase in product grade. This work is expected to conclude in the March 2017 quarter.

DIVIDENDS

An interim dividend for the half-year ended 31 December 2016 has not been declared given the potential redevelopment of the Koolan Island operation and the Group's continued search for business acquisition opportunities.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Following the end of the period, on 9 February 2017 the Group received the final statutory approvals required for development of the Iron Hill deposit adjacent to the Extension Hill operation. Accordingly, the Group has now commenced initial development works at Iron Hill and first ore sales are expected in May 2017.

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

ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which the instrument 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 8, which forms part of this report.

Signed in accordance with a resolution of the Directors.

Lee Seng Hui

Lee Seng Hui
Chairman
14 February 2017

Competent Persons Attribution:

Mineral Resources:

The information in this report that relates to Mineral Resources for the Iron Hill and Shine deposits 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 and a member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is now a consultant to, Mount Gibson Iron Limited, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. 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.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2016, 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
14 February 2017

Interim Consolidated Income Statement

For the half-year ended 31 December

	Notes	31 December 2016 $'000	31 December 2015 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	93,810	124,016
Other revenue	3[a]	6,032	4,632
TOTAL REVENUE		**99,842**	**128,648**
Cost of sales	4[b]	(75,620)	(114,314)
Impairment of ore inventories	9[iii]	-	(2,380)
GROSS PROFIT		**24,222**	**11,954**
Other income	3[b]	4,497	3,411
Impairment reversal/(impairment) of consumables inventories	9[i],[ii]	101	(6,808)
Impairment of mine properties	12	-	(2,135)
Impairment of property, plant and equipment	10	-	(9,648)
Impairment of deferred acquisition, exploration and evaluation		(619)	(2,642)
Exploration expenses		(59)	(35)
Net unrealised fair value gain	4[c]	579	461
Administration expenses	4[d]	(8,401)	(8,714)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**20,320**	**(14,156)**
Finance costs	4[a]	(597)	(987)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX		**19,723**	**(15,143)**
Tax benefit	5	1,481	-
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**21,204**	**(15,143)**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the period from discontinued operations	18	1,731	(294)
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**22,935**	**(15,437)**
Earnings/(loss) per share (cents per share)			
▪ basic earnings/(loss) per share		2.10	(1.42)
▪ diluted earnings/(loss) per share		2.10	(1.42)
Earnings/(loss) per share (cents per share) for continuing operations			
▪ basic earnings/(loss) per share		1.94	(1.39)
▪ diluted earnings/(loss) per share		1.94	(1.39)

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December

	31 December 2016 $'000	31 December 2015 $'000
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	**22,935**	**(15,437)**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	423	31
Reclassification adjustments for gains/(losses) on cash flow hedges transferred to the Income Statement	(423)	-
Deferred income tax on cash flow hedges	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**-**	**31**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**22,935**	**(15,406)**

Interim Consolidated Balance Sheet

As at 31 December

	Notes	31 December 2016 $'000	30 June 2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	32,916	43,316
Term deposits and subordinated notes	7	383,499	337,000
Financial assets held for trading	8	30,152	19,771
Trade and other receivables		13,325	41,546
Inventories	9	16,133	20,017
Prepayments		3,848	1,887
Derivative financial assets		1,315	231
Income tax receivable		1,532	50
TOTAL CURRENT ASSETS		**482,720**	**463,818**
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,403	8,744
TOTAL NON-CURRENT ASSETS		**6,403**	**8,744**
TOTAL ASSETS		**489,123**	**472,562**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		30,302	36,229
Interest-bearing loans and borrowings	14	-	421
Derivative financial liabilities		196	-
Provisions		4,977	5,791
TOTAL CURRENT LIABILITIES		**35,475**	**42,441**
NON-CURRENT LIABILITIES			
Provisions		38,531	38,186
TOTAL NON-CURRENT LIABILITIES		**38,531**	**38,186**
TOTAL LIABILITIES		**74,006**	**80,627**
NET ASSETS		**415,117**	**391,935**
EQUITY			
Issued capital	15	568,328	568,328
Accumulated losses		(1,134,565)	(1,157,500)
Reserves		981,354	981,107
TOTAL EQUITY		**415,117**	**391,935**

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December

	Notes	31 December 2016 $'000	31 December 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		96,690	134,263
Payments to suppliers and employees		(89,620)	(128,036)
Interest paid		(98)	(195)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		**6,972**	**6,032**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		5,271	4,955
Proceeds from sale of property, plant and equipment		2,221	2,244
Purchase of property, plant and equipment		(1,426)	(1,100)
Payment from/(for) term deposits		(46,499)	(44,000)
Proceeds from sale of financial assets held for trading		4,196	-
Payment for financial assets held for trading		(14,848)	-
Payment for deferred exploration and evaluation expenditure		(469)	(403)
Proceeds from seawall property insurance		34,558	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(16,996)**	**(38,304)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from insurance premium funding facility		-	4,151
Repayment of lease liabilities		(421)	(3,752)
Borrowing costs		(145)	(261)
NET CASH FLOWS (USED IN)/PROVIDED BY FINANCING ACTIVITIES		**(566)**	**138**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,590)	(32,134)
Net foreign exchange difference		190	(337)
Cash and cash equivalents at beginning of period		43,316	91,003
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6[a]	**32,916**	**58,532**

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December

	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 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**
At 1 July 2016	**568,328**	**(1,157,500)**	**20,037**	**-**	**964,262**	**(3,192)**	**391,935**
Profit for the period	-	22,935	-	-	-	-	**22,935**
Other comprehensive income	-	-	-	-	-	-	**-**
Total comprehensive income for the period	**-**	**22,935**	**-**	**-**	**-**	**-**	**22,935**
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	-	-	**-**
Share-based payments	-	-	247	-	-	-	**247**
At 31 December 2016	**568,328**	**(1,134,565)**	**20,284**	**-**	**964,262**	**(3,192)**	**415,117**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2016

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 2016, was authorised for issue in accordance with a resolution of the Directors on 14 February 2017.

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 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 2016 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 2016. 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 2016 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 and assets held for trading 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 Australian Securities and Investment Commission ("**ASIC")** Instrument 2016/191. The Company is an entity to which the instrument 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

Since 1 July 2016, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or after 1 July 2016. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. 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 2016.

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 2016.

	Notes	31 December 2016 $'000	31 December 2015 $'000
3. Revenue and Other Income			
[a] Revenue			
Sale of ore – continuing operations		93,641	124,016
Realised gain on foreign exchange hedges		169	-
		93,810	124,016
Other revenue			
Interest revenue		6,032	4,632
[b] Other income			
Net realised gain on foreign exchange transactions		458	607
Net gain on disposal of property, plant and equipment		1,856	2,102
Net gain on sale of financial assets held for trading		38	-
Net unrealised gain on foreign exchange balances		191	-
Other income		1,954	702
		4,497	3,411
4. Expenses			
[a] Finance costs			
Finance charges on banking facilities		265	408
Finance charges payable under finance leases		-	71
		265	479
Non-cash interest accretion on rehabilitation provision		332	508
		597	987
[b] Cost of Sales			
Mining and administration costs		15,303	42,756
Depreciation – mining and administration		2,283	3,381
Amortisation of mine properties	12[a]	-	1,070
Crushing costs		2,090	6,927
Depreciation – crushing		744	622
Transport costs		36,566	49,982
Depreciation – transport		180	1,248
Port costs		8,622	8,336
Depreciation – port		52	2,008
Royalties		6,989	9,743
Net ore inventory movement		2,791	(11,759)
		75,620	114,314
[c] Net Unrealised Marked-to-Market Gain/(Loss)			
Foreign exchange derivatives marked-to-market gain/(loss)		(423)	461
Financial assets held for trading marked-to-market loss		(309)	-
Iron ore derivatives marked-to-market gain		1,311	-
		579	461
[d] Administration Expenses include:			
Depreciation		324	355
Share-based payments expense		247	32
Net unrealised loss on foreign exchange balances		-	337
Koolan seawall insurance claim and related site works expenses		224	124
Impairment of debtors		465	403
Koolan restart feasibility study		1,213	-
Business development expenses		526	47
[e] Cost of Sales & Administration Expenses include:			
Salaries, wages expense and other employee benefits		10,961	16,176
Operating lease rental – minimum lease payments		776	732

5. Taxation

Reconciliation of tax benefit

A reconciliation of tax benefit/(expense) applicable to accounting profit/(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 2016 and 2015 is as follows:

	31 December 2016 $'000	31 December 2015 $'000
Accounting profit/(loss) before tax	21,454	(15,437)
• At the statutory income tax rate of 30% (2015: 30%)	6,436	(4,631)
• Expenditure not allowed for income tax purposes	145	150
• Adjustments in respect of current income tax of previous year	(1,481)	-
• Unrecognised deferred tax assets	-	2,675
• Recognition of previously unrecognised deferred tax assets	(7,403)	-
• Other	822	1,806
Tax benefit	(1,481)	-
Effective tax rate	(6.9%)	0.0%
Tax benefit reported in Income Statement	**(1,481)**	**-**

Unrecognised deferred tax assets

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

	31 December 2016 $'000	31 December 2015 $'000
• Tax losses	68,385	73,027
• Non-current assets	46,916	88,368
	115,301	161,395

The Company has $60,774,000 of franking credits available as at 31 December 2016.

6. Cash and Cash Equivalents

	31 December 2016 $'000	30 June 2016 $'000
[a] Reconciliation of cash		
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	32,916	43,316
	32,916	**43,316**

7. Term Deposits and Subordinated Notes

		31 December 2016 $'000	30 June 2016 $'000
Current			
Term deposit - receivables	[i]	286,499	250,000
Subordinated notes at fair value – available for sale investment	[ii]	97,000	87,000
		383,499	**337,000**

[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.

8. Financial Assets Held for Trading

	31 December 2016 $'000	30 June 2016 $'000
Current		
Tradeable corporate bonds at fair value	29,645	19,771
Share investments	507	-
	30,152	**19,771**

Financial assets held for trading comprise corporate bonds and equity securities which are traded in active markets. The portfolio of bond investments is managed by a professional funds management entity, and Mount Gibson is able to vary or terminate the portfolio management mandate at any time, with applicable notice periods.

	Notes	31 December 2016 $'000	30 June 2016 $'000
9. Inventories			
Consumables – at cost		12,167	19,445
Allowance for obsolescence and impairment of consumables inventories	[i],[ii]	(10,283)	(16,970)
		1,884	2,475
Ore – at cost		16,683	27,992
Allowance for impairment of ore inventories	[iii]	(2,434)	(10,450)
		14,249	17,542
		16,133	**20,017**

[i] During the half-year ended 31 December 2016, the Group raised an allowance for stock obsolescence of $51,000 (half-year ended 31 December 2015: nil) for consumables inventories that are considered slow moving and obsolete at Koolan Island and Extension Hill. Also during the period, obsolete consumables inventories totalling $5,551,000 which had been fully provided for in prior periods, were written off against the associated provision.

[ii] Consumables inventories held at Koolan Island and Extension Hill which are not considered obsolete have been assessed and written down to their recoverable values. In determining the recoverable value, factors such as current market pricing from suppliers, location and condition have been considered. The impairment written back for the half-year ended 31 December 2016 was $152,000 (half-year ended 31 December 2015: $6,808,000 impairment loss).

[iii] At 31 December 2016, the Group assessed the carrying values of ore inventories stockpiled at each of its 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 impairment write-backs/(loss) on ore inventories were recorded during the half-year period:

	Half-Year ended 31 Dec 2016 $'000	Half-Year ended 31 Dec 2015 $'000
Tallering Peak – discontinued operation	1,731	-
Extension Hill	-	(2,380)
Koolan Island	-	-
Total write-backs / (loss) on impairment	**1,731**	**(2,380)**

	Notes	31 December 2016 $'000	30 June 2016 $'000

10. Property, Plant and Equipment

Property, plant and equipment – at cost		438,277	492,022
Accumulated depreciation and impairment		(431,874)	(483,278)
		6,403	**8,744**

[a] Reconciliation

	Notes	31 December 2016 $'000	30 June 2016 $'000
Carrying amount at the beginning of the period		8,744	31,494
Additions		1,615	2,580
Disposals		(357)	(982)
Depreciation expense – continuing operations		(3,583)	(11,922)
Depreciation expense – discontinued operations		(16)	(49)
Impairment loss	13	-	(12,377)
		6,403	8,744

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 relevant site and the estimated removal, demobilisation and selling costs.

	Notes	31 December 2016 $'000	30 June 2016 $'000

11. Deferred Acquisition, Exploration and Evaluation Costs

Deferred acquisition, exploration and evaluation – at cost		21,288	20,669
Allowance for impairment	[i]	(21,288)	(20,669)
		-	**-**

[i] During the half-year ended 31 December 2016, expenditure totalling $300,000 was incurred on the Shine Project. Consistent with the accounting treatment as at 30 June 2016, the Shine Project was fully impaired as at 31 December 2016.

The Group's deferred acquisition, exploration and evaluation costs for the Iron Hill Project at the Extension Hill mine site were assessed at 31 December 2016. The Company made applications for various permits and regulatory approvals required for mine development purposes. These permits and approvals had not all been received at balance date. Accordingly, the Company has determined that no write-back of the previously impaired carrying value of the Iron Hill Project ($3,285,000) is required or justified at balance date. Following the end of the period, the Company received the final statutory approvals required for development of the Iron Hill deposit and, accordingly, commenced initial development works.

	Notes	31 December 2016 $'000	30 June 2016 $'000

12. Mine Properties

Mine development expenditure		1,537,337	1,537,337
Accumulated amortisation and impairment		(1,537,337)	(1537,337)
		-	-

[a] Reconciliation

	Koolan Island		Extension Hill		Total	
	31-Dec-16 $'000	30-Jun-16 $'000	31-Dec-16 $'000	30-Jun-16 $'000	31-Dec-16 $'000	30-Jun-16 $'000
Deferred waste						
Carrying amount at the beginning of the period	-	-	-	-	-	-
Deferred waste capitalised	-	-	-	-	-	-
Amortisation expensed	-	-	-	-	-	-
Impairment loss [Note 13]	-	-	-	-	-	-
Carrying amount at the end of the period	-	-	-	-	-	-
Other mine properties						
Carrying amount at the beginning of the period	-	-	-	3,205	-	3,205
Additions	-	-	-	-	-	-
Mine rehabilitation – revised estimate	-	-	-	-	-	-
Transferred from capital works in progress	-	-	-	-	-	-
Amortisation expensed	-	-	-	(1,070)	-	(1,070)
Impairment loss [Note 13]	-	-	-	(2,135)	-	(2,135)
Carrying amount at the end of the period	-	-	-	-	-	-
Total mine properties	-	-	-	-	-	-

13. Impairment of Assets

The Group reviews the carrying value of its assets at each balance date. During the half-year ended 31 December 2016, the following material events occurred which were considered indicators of potential impairment or reversals thereof:

- mining ceased in the Extension Hill open pit and operations have subsequently been limited to the processing of stockpiles pending future development of the nearby Iron Hill deposit, for which all approvals were not yet received as at balance date;
- as at 31 December 2016, the market capitalisation of the Group was below the book value of its equity; and
- the benchmark price of iron ore (in CFR terms for delivery in northern China) commenced the period at US$55 per dry metric tonne (**dmt**) and, after being stable for much of the half-year, increased to finish the period at just under US$80/dmt.

Accordingly, the Group has performed an impairment assessment of both the Koolan Island and Extension Hill Cash Generating Units (**CGU**). As these CGUs have previously been fully impaired, the assessment focused on the potential for any reversal of impairment booked in prior periods. Based on this assessment, no impairment expenses or reversals have been recognised during the 6 months ended 31 December 2016. Details of impairments recognised in the corresponding half-year period are provided in the table below:

	6 months ended 31 December 2016 $'000	6 months ended 31 December 2015 $'000
Koolan Island	-	1,906
Extension Hill	-	9,877
Total loss on impairment of non-current assets	**-**	**11,783**

	Notes	31 December 2016 $'000	30 June 2016 $'000

14. Interest-Bearing Loans and Borrowings

	Notes	31 December 2016 $'000	30 June 2016 $'000
Current			
Insurance premium funding facility	[a]	-	421
		-	**421**

Financing facilities available

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

	Notes	31 December 2016 $'000	30 June 2016 $'000
Total facilities:			
• Insurance premium funding facility	[a]	-	421
• Performance bonding facility	[b]	55,000	55,000
		55,000	**55,421**
Facilities used at reporting date:			
• Insurance premium funding facility	[a]	-	421
• Performance bonding facility	[b]	18,659	25,829
		18,659	**26,250**
Facilities unused at reporting date:			
• Insurance premium funding facility	[a]	-	-
• Performance bonding facility	[b]	36,341	29,171
		36,341	**29,171**

Terms and conditions relating to the above financial facilities:

[a] **Insurance premium funding facility**

The Group did not enter into a new insurance premium funding arrangement during the half-year ended 31 December 2016.

[b] **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 $55,000,000 and was drawn to $18,659,000 million as at 31 December 2016, 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 2016 $'000	30 June 2016 $'000

15. Issued Capital

[a] Ordinary shares

	Notes	31 December 2016 $'000	30 June 2016 $'000
Issued and full paid	[b]	**568,328**	**568,328**

		31 December 2016	
		Number of Shares	$'000
[b] Movement in ordinary shares on issue			
Beginning of the half-year		1,091,279,435	568,328
Exercise of performance rights		533,625	-
		1,091,813,060	568,328
Restricted shares - executive loan share plan issues	[i]	4,749,456	-
End of the half- year		1,096,562,516	568,328

[i] During the period, the Company established a Loan Share Plan (LSP) under which shares in the Company may be issued to eligible participants, with vesting of the shares being subject to the satisfaction of stipulated performance conditions. Under the terms of the LSP, the shares are issued at their market value with the recipient required to pay this market value in order to take up the share offer. The Company or any of its subsidiaries will provide a loan to fund the acquisition price. The loan is interest-free and is secured against the shares in the form of a holding lock preventing all dealing in the shares. The loan is limited recourse such that if the shares do not ultimately vest and are therefore forfeited, this is treated as full repayment of the loan balance. While the loan balance remains outstanding, any dividends paid on the shares will be automatically applied towards repayment of the loan. In making the loan in respect of the newly issued shares, there is no cash cost to the Company as the shares are newly issued. This award has been accounted for as an in-substance option award. The fair value at grant date was $0.104 per right.

[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 2016, no performance rights were issued.

As at 31 December 2016, there were no performance rights on issue (30 June 2016: 711,500).

16. Dividends Paid and Proposed

No dividends were declared and paid during the period.

17. 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 is on care and maintenance.

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

17. Operating Segments (Continued)

Half-Year Ended:	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	31 December 2016 $'000	31 December 2015 $'000	31 December 2016 $'000	31 December 2015 $'000	31 December 2016 $'000	31 December 2015 $'000	31 December 2016 $'000	31 December 2015 $'000
Segment revenue								
Revenue from sale of iron ore	93,810	91,871	-	32,145	-	-	93,810	124,016
Other revenue	-	-	-	-	6,032	4,632	6,032	4,632
Segment revenue	**93,810**	**91,871**	**-**	**32,145**	**6,032**	**4,632**	**99,842**	**128,648**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	24,804	14,583	(3,355)	3,449	2,972	109	24,421	18,141
Impairment (losses)/reversal	84	(12,257)	17	(8,714)	(619)	(2,642)	(518)	(23,613)
Earnings/(loss) before interest, tax, depreciation and amortisation	24,888	2,326	(3,338)	(5,265)	2,353	(2,533)	23,903	(5,472)
Depreciation and amortisation	(1,401)	(5,434)	(1,858)	(2,895)	(324)	(355)	(3,583)	(8,684)
Segment result	**23,487**	**(3,108)**	**(5,196)**	**(8,160)**	**2,029**	**(2,888)**	**20,320**	**(14,156)**
Finance costs							(597)	(987)
Profit/(loss) before tax and discontinued operations							**19,723**	**(15,143)**
Items included in segment result:								
Impairment/(reversal of impairment) of consumables inventories	(84)	-	(17)	6,808	-	-	(101)	6,808
Impairment of ore inventories	-	2,380	-	-	-	-	-	2,380
Impairment of property, plant and equipment	-	7,742	-	1,906	-	-	-	9,648
Impairment of mine development	-	2,135	-	-	-	-	-	2,135
Impairment of exploration and evaluation expenditure	-	-	-	-	619	2,642	619	2,642
	(84)	12,257	(17)	8,714	619	2,642	518	23,613

* 'Unallocated' includes interest revenue ($6,031,000) and corporate expenses such as head office salaries and wages.

17. Operating Segments (Continued)

	Extension Hill		Koolan Island		Unallocated		Consolidated	
	31 December 2016 $'000	30 June 2016 $'000	31 December 2016 $'000	30 June 2016 $'000	31 December 2016 $'000	30 June 2016 $'000	31 December 2016 $'000	30 June 2016 $'000
Segment assets								
Current financial assets	24,460	5,838	1,707	4,932	435,040	431,094	461,207	441,864
Other current assets	15,461	17,747	1,541	1,839	2,979	2,368	19,981	21,904
Property, plant and equipment	1,947	1,752	3,708	5,912	748	1,080	6,403	8,744
Tax assets	-	-	-	-	1,532	-	1,532	50
Total assets	**41,868**	**25,337**	**6,956**	**12,683**	**440,299**	**434,542**	**489,123**	**472,562**
Segment liabilities								
Financial liabilities	21,269	23,958	560	1,652	8,669	11,040	30,498	36,650
Other liabilities	11,175	11,179	29,695	29,397	2,638	3,401	43,508	43,977
Total liabilities	**32,444**	**35,137**	**30,255**	**31,049**	**11,307**	**14,441**	**74,006**	**80,627**
Net assets/(liabilities)	**9,424**	**(9,800)**	**(23,299)**	**(18,366)**	**428,992**	**420,101**	**415,117**	**391,935**

18. Discontinued Operations

The Tallering Peak operation is reported as a discontinued operation in this financial report. Mining was completed in June 2014 however sale of the remnant low grade ore is ongoing and final shipment is expected to occur in February 2017.

[a] Profit/(loss) from discontinued operations

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

	31 December 2016 $'000	31 December 2015 $'000
Revenue	8,183	-
Cost of sales	(8,183)	-
Impairment of ore inventories	1,731	-
Gross profit	1,731	-
Other expenses	-	(294)
Profit/(loss) before tax and finance costs from discontinued operations	1,731	(294)
Finance costs	-	-
Profit/(loss) before tax from discontinued operations	1,731	(294)
Tax expense	-	-
Net profit/(loss) after tax from discontinued operations	1,731	(294)
Earnings/(loss) per share (cents per share):		
▪ basic earnings/(loss) per share	0.16	(0.03)
▪ diluted earnings/(loss) per share	0.16	(0.03)

[b] Cash flow from discontinued operations

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

	31 December 2016 $'000	31 December 2015 $'000
Operating	2,055	(490)
Investing	-	-
Financing	-	-
Net cash inflow/(outflow) from discontinued operations	**2,055**	**(490)**

19. 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 adverse changes in the A$/US$ exchange 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 2016, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2016, the notional amount of the foreign exchange hedge book totalling US$36,000,000 is made up exclusively of collar option contracts with maturity dates due in the 6 months ending 30 June 2017 and with an average cap price of A$1.00/US$0.7533 and an average floor price of A$1.00/US$0.6947.

As at 31 December 2016, the marked-to-market unrealised loss on the total outstanding US dollar foreign exchange hedge book of US$36,000,000 was A$192,000.

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] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sells iron ore to its customers. The majority of the Group's sales revenue is derived under long term sales contracts for each of its operations. The pricing mechanism in these contracts reflects a market based clearing index. The pricing mechanism adopts the Platts Iron Ore Index Price ("**Platts Index**") which is published daily for iron ore "fines" with Fe content ranging from 52% to 65% and is quoted on a US$ per dry metric tonne "Cost and Freight" North China basis. The price to be paid by Mount Gibson's customers is based on the applicable Platts Index for a defined quotation period. The average monthly Platts Index is converted to a "Free On Board" price per dry metric tonne by deducting the calculated shipping freight costs utilising corresponding shipping average monthly indices for Panamax vessels from the port of Geraldton to China. "Lump" iron ore typically receives a premium to the published Platts Index "fines" price.

During the period, the Group entered into forward sales agreements covering six shipments each of 60,000 tonnes of iron ore, with maturity dates spread over the period January to June 2017. The contracts are stated in US$ per dry metric tonne and will ultimately be cash settled against the average daily CFR benchmark price for 62% Fe fines ores for delivery to northern China. The average price of the forward contracts at each maturity date is between US$70 and US$76 per tonne. Movements in the market value of the forward sale contracts are taken to the income statement. As at 31 December 2016, the marked-to-market unrealised gain on the outstanding iron ore forward contracts was $1,311,000.

[c] 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 quoted notes and bonds (classified as either financial assets held for trading or available-for-sale) are determined using Level 1 method based on market price quotations at the reporting date.

The fair values of cash, short-term deposits 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 2016 are shown below.

	31 December 2016 Carrying Amount $'000	31 December 2016 Fair Value $'000	30 June 2016 Carrying Amount $'000	30 June 2016 Fair Value $'000
Financial assets - current				
Cash	32,916	32,916	43,316	43,316
Term deposits - receivables	286,499	286,499	250,000	250,000
Subordinated notes – available-for-sale	97,000	97,000	87,000	87,000
Financial assets held for trading	30,152	30,152	19,771	19,771
Trade and other receivables	13,325	13,325	41,546	41,546
Derivatives	1,315	1,315	231	231
	461,207	461,207	441,864	441,864
Financial liabilities – current				
Trade and other payables	30,302	30,302	36,229	36,229
Derivatives	196	196	421	421
	30,498	30,498	36,650	36,650
Net financial assets	**430,709**	**430,709**	**405,214**	**405,214**

20. Events After Balance Sheet Date

Following the end of the period, on 9 February 2017 the Group received the final statutory approvals required for development of the Iron Hill deposit adjacent to the Extension Hill operation. Accordingly, the Group has now commenced initial development works at Iron Hill and first ore sales are expected in May 2017.

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

21. Commitments

At 31 December 2016, the Group has commitments of:

- $7,653,000 (31 December 2015: $3,708,000) relating to operating leases for the provision of mobile fleet equipment and office rental;
- $14,937,000 (31 December 2015: $49,129,000) relating primarily to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- $58,000 (31 December 2015: $162,000) relating to capital commitments for the purchase of property, plant and equipment principally at Extension Hill.

22. 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.

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

- Sold nil wmt (2015: 148,846 wmt) of iron ore to APAC; and
- Sold nil wmt (2015: 724,242 wmt) of iron ore to SCIT.

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

	31 December 2016 $'000	30 June 2016 $'000
Assets and Liabilities		
Current Assets		
Trade receivables - APAC	-	819
Trade receivables - SCIT	-	-
Total trade receivables	-	819
Total Assets	**-**	**819**
Current Liabilities		
Trade payables – APAC	-	-
Trade payables - SCIT	-	-
Total trade payables	-	-
Total Liabilities	**-**	**-**

	31 December 2016 $'000	31 December 2015 $'000
Net Sales Revenues		
Net sales revenue - APAC	-	7,044
Net sales revenue - SCIT	-	28,124
	-	**35,168**

23. Contingent Liabilities

1. The Group has a performance bonding facility drawn to a total of $18,659,000 (30 June 2016: $25,829,000). 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 2016 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2016 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

Lee Seng Hui
Chairman

14 February 2017

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 interim consolidated balance sheet as at 31 December 2016, the interim consolidated income statement, 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, 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 2016 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 period, 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 2016 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 February 2017