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ASX ANNOUNCEMENT

17 February 2015

December 2014 Half-Year Financial Result

Key Points *(All figures in Australian dollars unless stated otherwise)*

- Six month sales revenue of **$188.9 million** (H1 2014: $509.5 million) on iron ore sales of **3.1 million wet metric tonnes** (Mwmt) (H1 2014: 5.1 Mwmt).
- Underlying gross profit* of **$2.7 million** before impairments (H1 2014: $121.1 million).
- Reported net loss after tax of **$869.8 million**, after previously flagged non-cash impairment charges totalling **$946.3 million** and a non-cash income tax benefit of $97.1 million (H1 2014: $78.3 million profit).
- Cash and term deposits of **$354.4 million** at 31 December 2014 (31-Dec-2014: $483.9 million).
- Total Cost of Goods Sold (COGS) of **$62/wmt** Free on Board (FOB), including royalties and before impairments (H1 2014: $78/wmt).
- Average realised price (all products) of **$61/wmt FOB** (H1 2014: $100/wmt).
- Extension Hill to further improve cost performance in the June half 2015:
  - December half operating cashflow of **$15 million** and cash cost of **$49/wmt FOB** before royalties.
  - Cash cost guidance of **$45 - $47/wmt FOB** before royalties in the June half 2015.
- Corporate cost reduction programs continue to deliver savings, with personnel numbers reduced by approximately 30% to date.
- Evaluation of Koolan Island Main Pit seawall options continues with target completion late in the June half 2015.
- FY2015 sales guidance of **5.0 to 5.4 million tonnes**.

** The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is unaudited.*

Comment

Chief Executive Officer Jim Beyer said: "The December half was a difficult and disappointing period of transition for Mount Gibson marked by extremely challenging market conditions combined with the failure of the Main Pit seawall at Koolan Island which necessitated the substantial non-cash impairments we have reported today.

"Nonetheless, the Company has responded quickly and diligently to the changed circumstances by substantially reducing costs, preserving capital and restructuring its business according to our evolving requirements. This ongoing focus on preserving value will continue to deliver benefits in the months ahead.

"Our financial strength, underpinned by substantial cash reserves, negligible debt and a clean balance sheet, gives Mount Gibson the flexibility to both adapt to the uncertain conditions and invest in value accretive growth opportunities that may emerge."

Results for 6 months ended 31 December 2014 compared with the prior corresponding 6 month period:		**6 months ended 31 Dec 2014**	**6 months ended 31 Dec 2013**
Ore tonnes mined	*wmt (mill)*	3.2	3.8
Ore tonnes sold	*wmt (mill)*	3.1	5.1
Average realised price, all products (FOB)	*A$/wmt sold*	61	100
Sales revenue	*$ mill*	188.9	509.5
Interest income	*$ mill*	7.2	7.4
Cost of goods sold	*$ mill*	(193.4)	(395.8)
Underlying* Gross profit before impairments	*$ mill*	**2.7**	**121.1**
Impairment of ore inventories	*$ mill*	(33.7)	-
Gross profit/(loss)	*$ mill*	**(31.0)**	**121.1**
Admin and other expenses/income	*$ mill*	(16.1)	(6.5)
Impairments**	*$ mill*	(912.6)	-
Stock obsolescence	*$ mill*	(5.5)	-
Finance costs	*$ mill*	(1.6)	(3.1)
Profit/(loss) before tax	*$ mill*	**(966.9)**	111.5
Income tax benefit/(expense)	*$ mill*	97.1	(33.2)
Net profit/(loss) after tax	*$ mill*	**(869.8)**	78.3

** The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company's financial performance. This non-IFRS measure is unaudited.*
*** Impairment of mine properties, consumables inventories, property/plant/equipment and deferred acquisition, exploration and evaluation costs.*

Summary

Mount Gibson Iron Limited (**Mount Gibson**) recorded a net loss after tax of $869.8 million for the six months to 31 December 2014 on total sales revenue of $188.9 million and ore sales of 3.1 million wet metric tonnes (**wmt**).

As previously flagged, the result includes non-cash impairments totalling $946.3 million. These impairments follow a review of the carrying value of the Company's assets at 31 December 2014 in light of depressed iron ore prices and the failure of the Main Pit seawall at Koolan Island. These comprised impairments of iron ore inventories (by $33.7 million), consumables inventories (by $3.9 million), mine properties (by $708.0 million), deferred acquisition, exploration and evaluation assets (by $17.6 million) and property, plant and equipment (by $183.1 million). The impairments also resulted in the Company recording a non-cash income tax benefit of $97.1 million, which was net of the reversal of a $46 million deferred tax asset related to the now-repealed Mineral Resources Rent Tax (MRRT).

Excluding these impairments, Mount Gibson reported an underlying gross profit of $2.7 million, compared with $121.1 million in the prior corresponding half. This reflected the significant decline in iron ore prices during the half and the impact of the failure of the Main Pit seawall at Koolan Island, where sales were suspended in late October but normal operating costs continued until non-essential activities were suspended in late November.

Cash and term deposits at 31 December 2014 totaled $354.4 million, equivalent to $0.32 per share, after substantial cash outgoings during the half including $44 million in dividends, $38 million for mining fleet and equipment purchases, $6 million for redundancies and $5 million related to the settlement of historical disputes.

Realised pricing

As indicated above, iron ore prices fell dramatically during the December half. During the period, the benchmark Platts CFR price for 62% Fe fines averaged US$82 per dry metric tonne (**dmt**), a decline of 39% compared with the US$134/dmt average for the corresponding half in 2013. In late December 2014, the price traded as low as US$66/dmt and ended the half at US$72/dmt. This price weakness has continued into 2015.

Mount Gibson achieved an average realised price for standard DSO fines of US$64/dmt Free on Board (**FOB**) in the December 2014 half, net of adjustments for iron grade and impurities, compared with US$102/dmt in the prior corresponding half. The weighted average realised price for all products sold, including low grade DSO from Tallering Peak and Rizhao Special Product from Koolan Island, averaged A$61/wmt FOB, compared with A$100/wmt FOB in the prior corresponding half.

Cost performance and forecast cost savings

Total Cost of Goods Sold (COGS), including royalties, was reduced to $62/wmt FOB, compared with $78/wmt in the previous corresponding half. This reduction reflected the amount of waste mining costs at Koolan Island which were capitalised prior to the seawall failure, the cost reduction and productivity initiatives underway, and the increasing proportion of Mount Gibson's sales coming from the low cost Extension Hill operation. COGS is a standard accounting term which includes cash and non-cash costs, comprising mining, depreciation of plant and equipment, amortisation of deferred waste stripping and mine development balances, crushing, transport, administration and state government royalties.

The failure of the Main Pit seawall at Koolan Island resulted in abnormal cash burn during the half. Mining in the Main Pit and ore sales were suspended following the initial slump in late October, however the site continued to incur operating costs until early December when all non-essential activity was suspended and the majority of the site workforce was stood down. During this time, some mining occurred within the Acacia East satellite pit on the northern side of the island with costs either capitalised or reflected in ore inventories, and then impaired as at 31 December 2014. The mining and sale of Acacia East material in the June half is expected to generate a gross cash margin of approximately $5-10 million at current prices.

While evaluation of the viability of rebuilding the Main Pit seawall is continuing, and limited mining will continue in the Acacia East pit into the June 2015 quarter, the Extension Hill operation is now the Company's primary operating asset and will be the most significant driver of the Company's financial performance going forward.

Consistent with Mount Gibson's ongoing focus on preserving capital and reducing costs, the Company's workforce was substantially reduced in line with its reduced operational requirements during the half. In December, approximately 200 site-based roles at Koolan Island were made redundant, as were 20 roles in the Perth corporate office. Further reductions have continued in the current half.

Mount Gibson anticipates additional redundancy costs of approximately $5 million by the end of June, once the planned mining activity in Acacia East pit at Koolan Island has been completed, and the site workforce is reduced to a small care and maintenance team.

Extension Hill remained cashflow positive during the December half, reflecting ongoing cost reduction and efficiency improvements and the significant contribution from lump ore sales. The Extension Hill mine generated pre-tax operating cashflow of $15 million in the half with an average cash cost of $49/wmt FOB, before royalties.

Costs are also now being positively impacted by lower oil and fuel prices. Due to the lag effect of the Company's current fuel supply and transport contracts, the full benefits of lower fuel prices are expected to flow through in the June half.

Mount Gibson also continues to pursue incremental cost savings and efficiency gains and expects average FOB cash costs at Extension Hill to range between $45-47/wmt in the June half. This improvement also captures the expected unit cost benefit of the addition of an extra train path from the Perenjori rail siding, which commenced on 15 February[1].

This additional train path will raise the nominal export capacity from Extension Hill by approximately 20% to 3.5 million tonnes per annum.

Sales guidance increased for FY2015

As a result of the added train path from Perenjori, Mount Gibson expects to sell an extra 0.2 million tonnes from Extension Hill in the June half, and has raised its group sales guidance range to **5.0 – 5.4 million tonnes** for the 2015 financial year. This includes the previously announced ore sales from the limited mining campaign at Koolan Island's Acacia East satellite pit during the June half.

[1] Refer ASX release dated 16 February 2015

Dividend

In light of currently depressed iron ore prices, the recent failure of the Main Pit seawall at Koolan Island, and the Company's interim financial results, no dividend has been declared for the December half. The Company will continue to assess future dividend payments on a six monthly basis.

The Appendix 4D and half-year financial statements are attached.

For further information:

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Mount Gibson will host an analysts/institutions teleconference at **10.00am AEST** on **17 February 2015**. Investors will be able to listen in to the teleconference by dialing **1800 857 029** immediately prior to the scheduled start time and entering the access code **61492002#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2014 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 2014
Previous Corresponding Period:	Half-Year ended 31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Down 63% to	$188.9
Profit/(Loss) from continuing operations before tax	Down 968% to	($966.9)
Net profit/(loss) after tax attributable to members of the Company	Down 1,211% to	($869.8)

DIVIDENDS

Given the presently depressed iron ore price environment and the impacts of the recent failure of the Main Pit seawall at the Group's Koolan Island operation, no interim dividend has been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2014	31 December 2013
Net tangible assets	*A$ mill*	$342.0	$1,239.6
Fully paid ordinary shares on issue at balance date	*#*	1,090,805,085	1,090,584,232
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	31.3	113.7

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 2014 and any public announcements made by Mount Gibson during and after the half-year year ended 31 December 2014 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 2014

Financial Report

For the half-year ended 31 December 2014

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2014 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 Shaofeng	*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 sale of hematite iron ore at Koolan Island in the Kimberley region of Western Australia;
- mining of hematite iron ore deposits 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 half-year ended 31 December 2014 was very challenging for the Company given the significant fall in the benchmark iron ore price and the failure of the Koolan Island Main Pit seawall. The Company continued to sell various iron ore products in the period but, following these events, is now focusing on realising value from remaining Tallering Peak stockpiles, the ramp down of mining activities at Koolan Island and work to identify appropriate engineering solutions for re-establishment of the Main Pit seawall, and the continuation of productivity initiatives and unit cost reductions at Extension Hill.

Group ore sales totalled 3.1 million wet metric tonnes ("**wmt**") during the six month period, a decline of 39% compared with the prior corresponding half. This reflected finalisation of mining activities at the Tallering Peak mine and reduced sales from Koolan Island in the December quarter due to the failure of the Main Pit seawall.

Group ore sales revenue totalled $189,666,000, a reduction of 63% compared with the prior corresponding half. This reflected both reduced ore sales, and the substantial decline in iron ore prices during the December half year. Period end cash reserves, including term deposits, totalled $354,427,000 compared with $483,943,000 at 31 December 2013.

In the six months to 31 December 2014, the benchmark Platts CFR price for 62% Fe fines averaged US$82 per dry metric tonne ("**dmt**"). This compared with an average of US$134/dmt in the corresponding half in 2013, and US$111/dmt in the June 2014 half. In late December 2014, the price traded as low as US$66/dmt and ended the half at US$72/dmt. This price weakness has continued into 2015.

Mount Gibson achieved an average realised price for standard DSO fines of US$64/dmt Free on Board ("**FOB**") in the December 2014 half, compared with US$102/dmt in the prior corresponding half. The weighted average realised price for all products sold, including low grade DSO from Tallering Peak and Rizhao Special Product from Koolan Island averaged A$61/wmt FOB, compared with A$100/wmt FOB in the prior corresponding half.

Consistent with Mount Gibson's ongoing focus on preserving capital and reducing costs, the Company's workforce was substantially reduced in line with its reduced operational requirements during the half. Exploration and development activity was also narrowed to focus on advancing the Iron Hill prospect at the Extension Hill South project, immediately adjacent to the current Extension Hill mining operations.

Operating results for the half-year period

The summarised operating results for the Group for the half-year ended 31 December 2014 are tabulated below. These reflect significant impairment expenses totalling $946,284,000 as a result of depressed iron ore prices and the failure of the Koolan Island Main Pit seawall in the period:

Consolidated Group	**31 December 2014 $'000**	**31 December 2013 $'000**
Operating profit/(loss) from Continuing Operations before tax	**(966,876)**	**111,450**
Taxation benefit/(expense)	97,083	(33,153)
Net profit/(loss) after tax attributable to Members of the Company	**(869,793)**	**78,297**

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

Consolidated Group	**Unit**	**Sept Quarter 2014**	**Dec Quarter 2014**	**Dec Half-Year 2014**	**Dec Half-Year 2013**
Mining and crushing					
Total waste mined	*kwmt*	9,016	5,761	**14,777**	14,489
Total ore mined#	*kwmt*	1,920	1,299	**3,219**	3,846
Total ore crushed	*kwmt*	1,862	1,040	**2,903**	4,472
Shipping/sales*					
Standard DSO Lump**	*kwmt*	643	586	**1,229**	2,161
Standard DSO Fines	*kwmt*	1,074	450	**1,525**	2,034
Low grade DSO**	*kwmt*	-	58	**58**	479
RSP	*kwmt*	146	142	**287**	408
Total	*kwmt*	1,863	1,236	**3,099**	5,082
Average Platts 62% Fe CFR northern China price	*US$/dmt*	**90**	**74**	**82**	**134**
MGX Free on Board (FOB) average realised fines price^	*US$/dmt*	**65**	**60**	**64**	**102**

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

* Includes mine gate sales totalling 72kwmt of DSO lump and 34kwmt of DSO fines in the September 2014 quarter.

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

Includes low-grade ore at Extension Hill with 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 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 2014 totalled 1.25 million wmt, including the final shipments of Rizhao Special Product (RSP) totalling 287,000 wmt. No shipments were made after October 2014 due to the failure of the Main Pit seawall.

As reported during the period, following an initial slump in the Main Pit seawall on 24 October 2014, and before remediation efforts could be completed, a major failure of the seawall occurred on 26 November 2014. The Main Pit was inundated with sea water as a result of this breach of the seawall.

All non-essential activities on the island were suspended following the seawall failure in order to reduce expenditure and preserve capital while detailed identification and assessment of potential redevelopment options are completed. Force majeure notices were issued to major offtake customers and suppliers.

Importantly, no Mount Gibson personnel were harmed or put at risk as a result of the safety protocols enacted by the Company. Environmental monitoring and assessment has been conducted since the event and no significant marine impacts from the seawall failure have been identified to date.

The detailed evaluation work now underway includes assessment of the likely timing and cost of options to rebuild the Main Pit seawall and resume production. The options will then be considered in the context of the outlook for the iron ore market, iron ore prices and exchange rates, and on the basis of what action will best preserve and create value for shareholders. A decision to move towards recommencing production from Main Pit at Koolan Island will be made only if Mount Gibson believes it is viable to do so. Mount Gibson anticipates it will be in a position to provide an update on the preferred course of action in the first half of calendar 2015.

Mount Gibson is also pursuing discussions with its insurers as set out in Corporate below.

While major activities at Koolan Island were wound back, mine planning in December identified approximately 400,000 tonnes of accessible material grading 58-59% Fe in the Acacia East satellite pit on the northern side of the island. At current spot prices and exchange rates, the Company expects the mining and sale of this higher-silica material to generate a gross cash margin of approximately $5-10 million.

This limited mining campaign in Acacia East has commenced, with all sales of Acacia East material, including existing stockpiles, expected to be completed by the end of June 2015. These additional ore sales have been incorporated into the Company's revised sales guidance for the 2015 financial year of 5.0 – 5.4 million tonnes.

Approximately 200 positions at Koolan Island were made redundant immediately following the failure of the seawall. The limited mining campaign at Acacia East will require the retention of approximately 125 site-based roles until this activity has been completed. Redundancy costs, including for associated corporate office personnel, amounted to approximately $6 million in December 2014, with further redundancy costs of $5 million anticipated as work in Acacia East is completed and remaining ramp-down activities are concluded during the June 2015 quarter.

Koolan Island Production Summary	**Unit**	**Sept Quarter 2014 '000**	**Dec Quarter 2014 '000**	**Dec Half-Year 2014 '000**	**Dec Half-Year 2013 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	8,409	5,171	**13,580**	11,525	18%
Ore mined	*wmt*	668	425	**1,093**	1,528	(28%)
Crushing						
Lump	*wmt*	152	48	**200**	422	(53%)
Fines	*wmt*	313	249	**562**	951	(41%)
RSP*	*wmt*	443	-	**443**	648	(32%)
		908	**297**	**1,205**	**2,021**	**(40%)**
Shipping						
Lump	*wmt*	210	42	**252**	440	(43%)
Fines	*wmt*	568	147	**715**	1,158	(38%)
RSP*	*wmt*	146	142	**287**	408	(29%)
		923	**331**	**1,254**	**2,006**	**(37%)**

* 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 been capitalised in the Group's balance sheet and will be amortised on a units of production basis. Expenditure on waste development at Koolan Island during the half-year was as follows:

Koolan Island		**Half-Year ended 31 Dec 2014**	**Half-Year ended 30 June 2014**	**Half-Year ended 31 Dec 2013**
Waste mined	*mill bcm*	5.12	5.15	4.34
Waste mined	*mill wmt*	13.58	13.65	11.53
Ore mined	*mill bcm*	0.30	0.34	0.40
Ore mined	*mill wmt*	1.09	1.32	1.53
Deferred waste capitalised	*$ mill*	92.68	108.05	42.98
Amortisation of deferred waste	*$ mill*	20.12	36.42	39.60

Extension Hill Hematite Operations

Extension Hill continued to perform strongly in the December 2014 half-year. Ore sales increased 10% to 1.55 million tonnes, comprising 789,000 tonnes of lump, 657,000 tonnes of fines and 106,000 tonnes of mine gate sales.

As at 31 December 2014, approximately 76,000 wmt of crushed finished product was stockpiled at the mine. Uncrushed product stockpiled at the mine totalled approximately 44,000 wmt. Mine-site stockpiles of uncrushed lower grade material totalled 2.7 Mwmt. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 177,000 wmt.

The mine remained cashflow positive for the half-year, reflecting ongoing cost reduction initiatives and efficiency improvements, the strong contribution from lump sales, and external factors such as reduced fuel prices and the weakening Australian dollar. The full benefit of lower oil prices on cash margins is yet to be realised due to the lag effect on supply and transport contracts.

Extension Hill Production Summary	**Unit**	**Sept Quarter 2014 '000**	**Dec Quarter 2014 '000**	**Dec Half-Year 2014 '000**	**Dec Half-Year 2013 '000**	***% incr / (decr)***
Mining						
Waste mined*	*wmt*	607	590	**1,197**	827	45%
Standard ore mined	*wmt*	973	619	**1,592**	937	70%
Low grade ore mined*	*wmt*	279	255	**534**	292	83%
Total ore mined	*wmt*	**1,252**	**874**	**2,126**	**1,229**	**73%**
Crushing						
Lump	*wmt*	562	437	**999**	736	36%
Fines	*wmt*	392	306	**698**	556	26%
		954	**743**	**1,697**	**1,292**	**31%**
Transport to Perenjori Railhead						
Lump	*wmt*	531	430	**961**	783	23%
Fines	*wmt*	456	331	**787**	530	48%
		987	**761**	**1,748**	**1,313**	**33%**
Transport to Geraldton Port						
Lump	*wmt*	359	406	**765**	812	(6%)
Fines	*wmt*	375	305	**680**	480	42%
		734	**711**	**1,445**	**1,292**	**12%**
Shipping						
Lump	*wmt*	245	544	**789**	844	(6%)
Fines	*wmt*	354	303	**657**	412	59%
		599	**847**	**1,446**	**1,256**	**15%**
Mine gate sales						
Lump	*wmt*	72	-	**72**	118	(39%)
Fines	*wmt*	34	-	**34**	42	(19%)
		106	**-**	**106**	**160**	**(34%)**
Total sales						
Lump	*wmt*	317	544	**861**	962	(10%)
Fines	*wmt*	388	303	**691**	454	52%
		705	**847**	**1,552**	**1,416**	**10%**

* Waste mined was previously reported inclusive of low grade ore, which is now reported separately as Low Grade ore mined. Low grade ore is material grading 50-55% Fe considered to be saleable. This material is being stockpiled for future sale but continues to be treated as waste for accounting purposes.

Minor discrepancies may appear due to rounding.

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

Extension Hill		**Half-Year ended 31 Dec 2014**	**Half-Year ended 30 June 2014**	**Half-Year ended 31 Dec 2013**
Waste mined*	*mill bcm*	0.45	0.34	0.33
Waste mined*	*mill wmt*	1.20	0.85	0.83
Ore mined*	*mill bcm*	0.70	0.59	0.43
Ore mined*	*mill wmt*	2.13	1.69	1.23
Deferred waste capitalised	*$ mill*	-	-	-
Amortisation of deferred waste	*$ mill*	-	-	-

* Waste mined was previously reported inclusive of low grade ore, which is now reported as ore mined.

Tallering Peak Hematite Operations

Following the completion of mining in June 2014 quarter, Tallering Peak completed five shipments, totalling 292,000 wmt during the half-year ended 31 December 2014. Sales comprised two cargoes of DSO lump totalling 116,000 wmt, two cargoes of remnant medium grade fines totalling 118,000 wmt and one cargo of remnant low grade fines totalling 58,000 wmt.

Closure and rehabilitation activities continued during the half-year, with the last remaining equipment anticipated to be removed from site early in the March 2015 quarter.

Tallering Peak Production Summary	**Unit**	**Sept Quarter 2014 '000**	**Dec Quarter 2014 '000**	**Dec Half-Year 2014 '000**	**Dec Half-Year 2013 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	-	-	**-**	2,137	(100%)
Ore mined	*wmt*	-	-	**-**	1,089	(100%)
Crushing						
Lump	*wmt*	-	-	**-**	721	(100%)
Fines	*wmt*	-	-	**-**	438	(100%)
		-	**-**	**-**	**1,159**	**(100%)**
Transport to Mullewa Railhead						
Lump	*wmt*	7	-	**7**	720	(99%)
Fines	*wmt*	9	-	**9**	476	(98%)
		16	**-**	**16**	**1,196**	**(99%)**
Transport to Geraldton Port						
Lump	*wmt*	43	-	**43**	1,180	(96%)
Fines	*wmt*	176	17	**193**	388	(50%)
		219	**17**	**236**	**1,568**	**(85%)**
Shipping						
Standard DSO Lump^	*wmt*	116	-	**116**	759	(85%)
Standard DSO Fines	*wmt*	118	-	**118**	422	(72%)
Low grade DSO^	*wmt*	-	58	**58**	478	(88%)
		234	**58**	**292**	**1,659**	**(82%)**

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

Minor discrepancies may appear due to rounding.

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

Tallering Peak		**Half-Year ended 31 Dec 2014**	**Half-Year ended 30 June 2014**	**Half-Year ended 31 Dec 2013**
Waste mined	*mill bcm*	-	0.66	0.70
Waste mined	*mill wmt*	-	1.87	2.14
Ore mined	*mill bcm*	-	0.28	0.27
Ore mined	*mill wmt*	-	1.07	1.09
Deferred waste capitalised	*$ mill*	-	0.73	0.37
Amortisation of deferred waste	*$ mill*	-	3.54	10.13

EXPLORATION AND DEVELOPMENT

Extension Hill South

Mount Gibson completed a programme of RC drilling, comprising 63 holes for 3,072 metres, at the Iron Hill and Gibson Hill Prospects at Extension Hill South. This program of infill and extensional drilling is a follow up from RC drilling conducted at Iron Hill in December 2013 and a four hole diamond core programme drilled in August 2014. Full assay results had not been received by the end of the half. Regulatory assessment of the Iron Hill prospect progressed during the period. In late December 2014, the Office of Environmental Protection Authority of Western Australia set a Public Environmental Review (PER) level of assessment for future mining at Iron Hill. Mount Gibson expects to receive the EPA-prepared Environmental Scoping Document for the PER assessment during the March 2015 quarter.

CORPORATE

Minerals Resource Rent Tax (MRRT)

During the half-year, the Australian Senate repealed the MRRT, effective 1 October 2014. Consequently, as disclosed in the Company's 2013/14 annual financials, Mount Gibson has recorded a non-cash write-off of approximately $46 million in its financial results for the six months ended 31 December 2014. This amount represents the remaining balance of the MRRT deferred tax asset which was previously required to be recorded in accordance with applicable accounting standards to reflect the technical tax value of the Company's MRRT starting base allowances. This is a non-cash technical accounting adjustment that has no impact on the Company's underlying business or cashflows. Mount Gibson has not paid any MRRT.

Koolan Island insurance

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 and continue to progress. It is not yet possible to accurately estimate the potential quantum or timing of any claim.

Corporate office restructuring

Consistent with Mount Gibson's ongoing focus on cost reduction and business efficiency, corporate staffing levels have been progressively reducing to match changing operational support requirements following the seawall failure and ramp-down at Koolan Island. As at 31 December 2014, approximately 20 corporate office roles have been affected. Mount Gibson will continue to assess staffing on the basis of organisational requirements and the overall business environment.

WA Iron Ore Royalty Relief Initiative

On 12 December 2014, the State Government of Western Australia announced it would make temporary relief available to eligible junior iron ore miners in the form of a 50 per cent rebate on hematite iron ore royalties for up to 12 months, subject to the miner's average realised FOB iron ore price remaining below A$90/dmt tonne over the period. Rebates would be repayable within 2 years from the conclusion of the assistance period. Mount Gibson welcomes the WA Government's demonstration of support for the junior iron ore sector in challenging conditions, and has submitted an application for relief.

Financial Position

At 31 December 2014, the Group's cash and term deposit balances totalled $354,427,000, a decrease of $165,344,000 from 30 June 2014 of $519,771,000. The decrease was due to the payment of $43,632,203 in cash dividends, $48,656,000 in fleet and equipment purchases, $3,978,000 in the repayment of lease liabilities and other borrowings, the mining of waste material at the Koolan Island mine, and the impacts of the failure of the Koolan Island Main Pit seawall.

As at the balance date, the Company's current assets totalled $409,020,000 and its current liabilities totalled $93,331,000. 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

As disclosed in the Company's financials for the half-year ended 31 December 2014, a significant impairment expense has been recorded as a result of the impact of substantially lower iron ore prices and the failure of the Main Pit seawall at the Company's Koolan Island operation. The Group has recorded a total impairment expense of $946,284,000 before tax comprising impairments of iron ore inventories (by $33,686,000), consumables inventories (by $3,900,000), mine properties (by $707,986,000), deferred acquisition, exploration and evaluation assets (by $17,606,000) and property, plant and equipment (by $183,106,000).

Foreign Exchange Hedging

As at 31 December 2014, the Company held forward foreign exchange contracts covering the conversion of US$54 million into Australian dollars over the coming half year at an average exchange rate of A$1.00/US$0.886. With the reduction in ore sales revenue from Koolan Island, these contracts are being satisfied in full with US$ revenues from Extension Hill ore sales.

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 maintain and grow its profile as a successful and profitable supplier of raw materials.

Following recent iron ore price falls and the failure of the Koolan Island Main Pit seawall, Mount Gibson management continues to focus on productivity gains and supplier arrangements in order to drive cashflows and ensure the Company can perform well in volatile commodity and foreign exchange markets. Mount Gibson expects its annual sales for the 2014/15 financial year to be between 5.0 and 5.4 million wmt of iron ore.

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.

Cashflow in the December half-year was adversely impacted by Koolan waste mining and the absence of ore sales following the seawall failure. Looking forward, the key focus of the Mount Gibson management team is on further operating and corporate cost reductions, the increase of operating margins at the Extension Hill operation, pursuit of the Koolan Island seawall insurance claim, and the preservation and growth of the Company's cash reserves. In addition, priority has been placed on the search for other mineral resources which would provide low capital mine life extensions for its mines, in particular the Extension Hill operation.

Mount Gibson has a growth ambition in the mining sector. The Board and management team continuously assess possible acquisition opportunities for assets which would grow the Company's production and extend its cashflow profile beyond the life of its current mining operations. Mount Gibson is particularly focused on projects within Australia or comparable political risk regions, which are of an affordable size to acquire and develop, as appropriate.

DIVIDENDS

During the half-year ended 31 December 2014, a final dividend of 4 cents per share fully franked in respect of the 2013/14 financial year was paid by way of $43,632,203 in cash.

An interim dividend for the half-year ended 31 December 2014 has not been declared given the presently depressed iron ore price environment and the recent failure of the Main Pit seawall at the Group's Koolan Island operation.

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.

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

Lee Seng Hui
Chairman
16 February 2015

Competent Persons Attribution:

Exploration Targets and Exploration results

The information in this report that relates to Exploration Targets and Exploration Results other than those of the Shine Project are based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is a full time employee of the Mount Gibson Iron Limited group, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Gregory Hudson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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Auditor's Independence Declaration to the Directors of Mount Gibson Iron Limited

In relation to our review of the financial report of Mount Gibson Iron Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
16 February 2015

Interim Consolidated Income Statement

For the half-year ended 31 December 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
CONTINUING OPERATIONS			
Sale of goods	3[a]	188,857	509,526
Other revenue	3[a]	7,219	7,384
TOTAL REVENUE		**196,076**	**516,910**
Cost of sales	3[d]	(193,410)	(395,836)
Impairment of ore inventories	8[iii]	(33,686)	-
GROSS PROFIT/(LOSS)		**(31,020)**	**121,074**
Other income	3[b]	147	6,723
Stock obsolescence	8[i]	(5,536)	-
Impairment of consumables inventories	8[ii]	(3,900)	-
Impairment of mine properties	12	(707,986)	-
Impairment of property, plant and equipment	12	(183,106)	-
Impairment of deferred acquisition, exploration and evaluation	10	(17,606)	-
Exploration expenses		(60)	(73)
Administration expenses	3[e]	(16,228)	(13,222)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND FINANCE COSTS		**(965,295)**	**114,502**
Finance costs	3[c]	(1,581)	(3,052)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**(966,876)**	**111,450**
Income tax benefit/(expense)	5	97,083	(33,153)
NET PROFIT/(LOSS) FOR THE PERIOD AFTER INCOME TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(869,793)**	**78,297**
Earnings/(loss) per share (cents per share)			
▪ basic earnings/(loss) per share		(79.74)	7.18
▪ diluted earnings/(loss) per share		(79.74)	7.18

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2014

	31 December 2014 $'000	31 December 2013 $'000
NET PROFIT/(LOSS) FOR THE PERIOD AFTER INCOME TAX	**(869,793)**	**78,297**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	(6,736)	2,101
Reclassification adjustments for (gains)/losses on cash flow hedges included in the Income Statement	(809)	(748)
Deferred income tax on cash flow hedges	720	(405)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(6,825)**	**948**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(876,618)**	**79,245**

Interim Consolidated Balance Sheet

As at 31 December 2014

	Notes	31 December 2014 $'000	30 June 2014 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	74,427	70,471
Term deposits	7	280,000	449,300
Trade and other receivables		12,911	53,004
Inventories	8	36,008	67,573
Prepayments		5,674	3,468
Derivative financial assets		-	2,395
Income tax receivable		-	9,661
TOTAL CURRENT ASSETS		**409,020**	**655,872**
NON-CURRENT ASSETS			
Property, plant and equipment	9	56,868	223,186
Deferred acquisition, exploration and evaluation costs	10	4,825	21,863
Mine properties	11	10,422	655,731
Deferred tax assets		-	45,999
TOTAL NON-CURRENT ASSETS		**72,115**	**946,779**
TOTAL ASSETS		**481,135**	**1,602,651**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		69,957	125,201
Interest-bearing loans and borrowings	13	7,116	7,294
Derivative financial liabilities		5,150	-
Provisions		11,108	15,270
TOTAL CURRENT LIABILITIES		**93,331**	**147,765**
NON-CURRENT LIABILITIES			
Provisions		44,851	45,202
Interest-bearing loans and borrowings	13	993	2,162
Deferred tax liabilities		-	145,504
TOTAL NON-CURRENT LIABILITIES		**45,844**	**192,868**
TOTAL LIABILITIES		**139,175**	**340,633**
NET ASSETS		**341,960**	**1,262,018**
EQUITY			
Issued capital	14	568,328	568,328
(Accumulated losses) / retained earnings		(237,906)	675,519
Reserves		11,538	18,171
TOTAL EQUITY		**341,960**	**1,262,018**

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		225,473	515,418
Payments to suppliers and employees		(305,512)	(312,151)
Interest paid		(414)	(1,207)
Income tax received/(paid)		7,958	(31,478)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**(72,495)**	**170,582**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8,023	6,741
Proceeds from sale of property, plant and equipment		1,198	620
Purchase of property, plant and equipment		(48,656)	(27,687)
Payment from/(for) term deposits		169,300	(64,800)
Payment for deferred exploration and evaluation		(4,688)	(1,517)
Payment for mine development		(338)	(3,364)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**124,839**	**(90,007)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(3,978)	(13,963)
Borrowing costs		(496)	(821)
Dividends paid		(43,632)	(21,812)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(48,106)**	**(36,596)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,238	43,979
Net foreign exchange difference		(282)	(854)
Cash and cash equivalents at beginning of period		70,471	62,018
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6[a]	**74,427**	**105,143**

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	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**	**Other Reserves $'000**	**Total Equity $'000**
At 1 July 2013	**568,328**	**600,978**	**19,160**	**(3,225)**	**(3,192)**	**1,182,049**
Profit for the period	-	78,297	-	-	-	**78,297**
Other comprehensive income	-	-	-	948	-	**948**
Total comprehensive income for the period	**-**	**78,297**	**-**	**948**	**-**	**79,245**
Transactions with owners in their capacity as owners						
- Dividends paid	-	(21,812)	-	-	-	**(21,812)**
Share-based payments			142		-	**142**
At 31 December 2013	**568,328**	**657,463**	**19,302**	**(2,277)**	**(3,192)**	**1,239,624**
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**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2014

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 2014, was authorised for issue in accordance with a resolution of the Directors on 16 February 2015.

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 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report:

- does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited as at 30 June 2014. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson Iron Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Stock Exchange Listing Rules;
- has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value; and
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

Except as noted below, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014.

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

All other new standards and interpretations effective from 1 July 2014 were adopted with the main impact being disclosure changes. Changes to accounting policies due to adoption of these standards and interpretations are not considered significant for the Group.

(c) Significant 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 2014. In particular, judgement has been applied in determining that the Tallering Peak operation is not yet discontinued given recent ore sales, preparation of potential sale of the remaining low grade ore stockpiles, and ongoing site rehabilitation and closure work. Judgement has also been made with respect to the impairment adjustments set out in Note 12.

	Notes	31 December 2014 $'000	31 December 2013 $'000
3. REVENUE AND EXPENSES			
[a] Revenue			
Sale of ore		189,666	510,274
Realised loss on foreign exchange hedges		(809)	(748)
		188,857	509,526
Other revenue			
Interest income		7,219	7,384
		7,219	7,384
[b] Other income			
Other income		147	6,723
		147	6,723
[c] Finance costs			
Finance charges on loans		736	974
Finance charges payable under finance leases		224	869
		960	1,843
Interest accretion on rehabilitation provision		621	1,209
		1,581	3,052
[d] Cost of Sales			
Mining costs		140,260	165,411
Depreciation – mining		15,888	15,679
Mining waste costs deferred	11[a]	(92,683)	(43,349)
Amortisation of mining waste costs deferred	11[a]	20,117	49,730
Amortisation of other mine properties	11[a]	12,129	20,961
Crushing costs		20,428	20,549
Depreciation – crushing		3,481	3,697
Transport costs		43,829	52,906
Depreciation – transport		4,424	3,363
Port costs		12,452	13,888
Depreciation – port		4,151	11,321
Royalties		18,230	41,978
Net ore inventory movement		(9,296)	39,702
		193,410	395,836
[e] Administration Expenses include:			
Depreciation		349	274
Share-based payments expense		192	142
Net realised loss on foreign exchange transactions		-	2
Net unrealised loss on foreign exchange balances		281	854
Loss on sale of property, plant and equipment		139	409
[f] Cost of Sales & Administration Expenses include:			
Salaries, wages expense and other employee benefits		53,431	53,938
Operating lease rental – minimum lease payments		10,327	17,374

4. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the senior management team in assessing performance and determining the allocation of resources.

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

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

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

All segment assets are located in Australia.

	31 December 2014 $'000	31 December 2013 $'000

5. TAXATION

Reconciliation of income tax expense

A reconciliation of tax 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 2014 and 2013 is as follows:

	31 December 2014 $'000	31 December 2013 $'000
Accounting profit/(loss) before tax	(966,876)	111,450
• At the statutory income tax rate of 30% (2013: 30%)	(290,063)	33,435
• Expenditure not allowed for income tax purposes	247	142
• Overs / Unders	(703)	(5,142)
• Unrecognised deferred tax assets	147,654	-
• Other	(217)	(1,718)
Minerals resource rent tax expense	45,999	6,436
Tax (benefit)/expense	(97,083)	33,153
Effective tax rate	10.0%	29.7%
Tax (benefit)/expense reported in Income Statement	**(97,083)**	**33,153**

Unrecognised deferred tax assets

Deferred tax assets have been unrecognised in respect of the following items:

	31 December 2014 $'000	31 December 2013 $'000
• Tax losses	25,761	-
• Non-current assets	121,893	-
• Minerals resource rent tax – mine properties (net of income tax)	-	316,565
	147,654	316,565

	31 December 2014 $'000	30 June 2014 $'000
6. CASH AND CASH EQUIVALENTS		
[a] Reconciliation of cash		
Cash at bank and in hand	54,427	55,471
Short-term deposits	20,000	15,000
	74,427	**70,471**

[b] Non-cash financing activities

During the period ended 31 December 2014, the Group did not acquire property, plant and equipment (31 December 2013: $nil) by means of finance leases and hire purchase agreements.

		31 December 2014 $'000	30 June 2014 $'000
7. TERM DEPOSITS			
Current			
Receivables – term deposit	[i]	265,000	434,300
Receivables – subordinated notes	[ii]	15,000	15,000
		280,000	**449,300**

[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 floating interest rate instruments with maturities of up to ten years.

	Notes	31 December 2014 $'000	30 June 2014 $'000
8. INVENTORIES			
Consumables – at cost		30,837	28,645
Allowance for stock obsolescence	[i]	(8,705)	(3,237)
Allowance for impairment of consumables inventories	[ii]	(3,900)	-
		18,232	25,408
Ore – at cost		62,644	55,705
Allowance for impairment of ore inventories	[iii]	(44,868)	(13,540)
		17,776	42,165
		36,008	**67,573**

[i] During the half-year ended 31 December 2014, the Group wrote down $5,536,000 (half-year ended 31 December 2013: $nil) of consumables inventory that is considered slow moving and obsolete at Tallering Peak and Koolan Island.

[ii] 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 2014 was $3,900,000 (half-year ended 31 December 2013: $nil).

[iii] At 31 December 2014, 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 on ore inventories were recognised during the half-year period:

	Half-Year ended 31 Dec 2014 $'000	Half-Year ended 30 June 2014 $'000	Half-Year ended 31 Dec 2013 $'000
Tallering Peak	6,332	-	-
Extension Hill	-	-	-
Koolan Island	27,354	-	-
Total loss on impairment	**33,686**	**-**	**-**

	Notes	31 December 2014 $'000	30 June 2014 $'000
9. PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment – at cost		535,928	517,143
Accumulated depreciation and impairment		(479,060)	(293,957)
		56,868	**223,186**
[a] Reconciliation			
Carrying amount at the beginning of the period		223,186	247,924
Additions		48,470	49,118
Disposals		(1,137)	(1,052)
Depreciation expense		(28,305)	(67,311)
Impairment	12	(183,106)	-
Transfers to mine properties		(2,240)	(5,493)
		56,868	223,186

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 operation 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 2014 $'000	30 June 2014 $'000
10. DEFERRED ACQUISITION, EXPLORATION AND EVALUATION COSTS			
Deferred acquisition, exploration and evaluation – at cost		22,431	21,863
Allowance for impairment	[i]	(17,606)	-
		4,825	**21,863**

[i] The Group reviews the carrying value of its assets at each balance date. During the half-year ended 31 December 2014, as set out in Note 12, a number of material events occurred which, for the purposes of the Company's deferred acquisition, exploration and evaluation costs for the Shine Project, indicated that the carrying amount of the asset was unlikely to be recovered from its development or sale. Accordingly, the carrying amount for the Shine Project of $17,606,000 was assessed based on its Value In Use in the same way as for mine properties, and fully impaired as at 31 December 2014. The following assumptions were used in assessing the impairment for the Shine Project carrying value:

- Cashflow forecasts were based on the latest internal estimates for the life of mine;
- Discount rate of 21.4% (nominal, before tax) and 15.0% (nominal, after tax);
- Revenue and cost inflation estimates of 2.5% per year; and
- Base case iron ore price forecast for the 62% Fe benchmark fines CFR price (northern China) of US$66/dmt at an exchange rate of A$1.00/US$0.80, with sensitivities undertaken for a range of these inputs.

It is estimated that changes in key assumptions would impact recoverable amounts as 31 December 2014 as follows:

- An increase in the benchmark 62% Fe fines CFR iron ore price by 10% to US$72.60/dmt would not impact the impairment.
- A reduction in the A$/US$ exchange rate by 10% to A$1.00/US$0.72 would not impact the impairment.

	Notes	31 December 2014 $'000	30 June 2014 $'000
11. MINE PROPERTIES			
Mine development expenditure		1,537,543	1,442,621
Accumulated amortisation and impairment		(1,527,121)	(786,890)
		10,422	**655,731**

[a] Reconciliation

	Koolan Island		Tallering Peak		Extension Hill		Total	
	31-Dec-14 $'000	30-Jun-14 $'000	31-Dec-14 $'000	30-Jun-14 $'000	31-Dec-14 $'000	30-Jun-14 $'000	31-Dec-14 $'000	30-Jun-14 $'000
Deferred waste								
Carrying amount at the beginning of the period	354,204	279,193	-	12,574	-	-	354,204	291,767
Deferred waste capitalised	92,683	151,028	-	1,099	-	-	92,683	152,127
Amortisation expensed	(20,117)	(76,017)	-	(13,673)	-	-	(20,117)	(89,690)
Impairment of deferred waste [Note 12]	(426,770)	-	-	-	-	-	(426,770)	-
Carrying amount at the end of the period	**-**	**354,204**	**-**	**-**	**-**	**-**	**-**	**354,204**
Other mine properties								
Carrying amount at the beginning of the period	276,877	336,715	-	2,559	24,650	30,172	301,527	369,446
Additions	-	-	-	11	-	-	-	11
Mine rehabilitation – discount rate adjustment	-	(32,853)	-	-	-	(232)	-	(33,085)
Transferred (to)/from deferred acquisition, exploration and evaluation	-	-	-	-	-	-	-	-
Transferred from capital works in progress	2,240	5,493	-	-	-	-	2,240	5,493
Amortisation expensed	(8,393)	(32,478)	-	(2,570)	(3,736)	(5,290)	(12,129)	(40,338)
Impairment of other mine properties [Note 12]	(270,724)	-	-	-	(10,492)	-	(281,216)	-
Carrying amount at the end of the period	**-**	**276,877**	**-**	**-**	**10,422**	**24,650**	**10,422**	**301,527**
Total mine properties	**-**	**631,081**	**-**	**-**	**10,422**	**24,650**	**10,422**	**655,731**

12. IMPAIRMENT OF ASSETS

The Group reviews the carrying value of its assets at each balance date. During the half-year ended 31 December 2014, 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$93 per dry metric tonne (dmt) as at 30 June 2014 to US$71.75/dmt as at 31 December 2014, a reduction of 23%, and has declined further since period end;
- the Company's Koolan Island operation suffered a major failure of the Main Pit seawall resulting in the pit being inundated with seawater from the adjacent channel, and the suspension of mining activities in the pit. Assessment of potential engineering solutions is underway, and discussions with the Group's insurers are continuing; and
- as at 31 December 2014, the market capitalisation of the Group was below the book value of its equity.

Accordingly, the Group has performed an impairment assessment on 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 2014 $'000	31 December 2013 $'000
Koolan Island	844,392	-
Extension Hill	46,700	-
Total loss on impairment of non-current assets	**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-14 $'000	6 months to 31-Dec-13 $'000	6 months to 31-Dec-14 $'000	6 months to 31-Dec-13 $'000	6 months to 31-Dec-14 $'000	6 months to 31-Dec-13 $'000
Deferred waste	426,770	-	-	-	426,770	-
Other mine properties	270,724	-	10,492	-	281,216	-
Total mine properties	697,494	-	10,492	-	707,986	-
Property, plant and equipment	146,898		36,208		183,106	
Total impairment of non-current assets	**844,392**	**-**	**46,700**	**-**	**891,092**	**-**

The Group assessed the recoverable amount of each CGU as at 31 December 2014 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 (including assessments for the re-establishment of access to the Koolan Island Main Pit) over the relevant life of mine;
- Discount rates for Extension Hill of 18.6% (nominal, before tax) and 12.0% (nominal, after tax), and for Koolan Island of 15.0% (nominal, before and after tax due to a full tax shelter from allowable deductions);
- Revenue and cost inflation estimates of 2.5% per year; and
- Base case iron ore price forecast for the 62% Fe benchmark fines CFR price (northern China) of US$66/dmt at an exchange rate of A$1.00/US$0.80, 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 2014 as follows:

- An increase in the benchmark 62% Fe fines CFR iron ore price by 10% to US$72.60/dmt would not impact the impairment for Koolan Island and would reduce the impairment for Extension Hill by approximately $30 million.
- A reduction in the A$/US$ exchange rate by 10% to A$1.00/US$0.72 would not impact the impairment for Koolan Island and would reduce the impairment for Extension Hill by approximately $23 million.

	Notes	31 December 2014 $'000	30 June 2014 $'000

13. INTEREST-BEARING LOANS AND BORROWINGS

	Notes	31 December 2014 $'000	30 June 2014 $'000
Current			
Hire purchase facility	[a]	7,116	7,294
		7,116	**7,294**
Non-Current			
Hire purchase facility	[a]	993	2,162
		993	**2,162**

Financing facilities available

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

	Notes	31 December 2014 $'000	30 June 2014 $'000
Total facilities:			
• Hire purchase facility	[a]	8,109	9,456
• Performance bonding facility	[b]	65,000	65,000
		73,109	**74,456**
Facilities used at reporting date:			
• Hire purchase facility	[a]	8,109	9,456
• Performance bonding facility	[b]	57,251	57,221
		65,360	**66,677**
Facilities unused at reporting date:			
• Hire purchase facility	[a]	-	-
• Performance bonding facility	[b]	7,749	7,779
		7,749	**7,779**

Terms and conditions relating to the above financial facilities:

[a] **Hire purchase facility**

Hire purchase arrangements have been entered into by 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 7.52% 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] **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 $65.0 million and was drawn to $57.2 million as at 31 December 2014, will expire on 30 June 2017.

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 2014 $'000	30 June 2014 $'000
14. ISSUED CAPITAL			
[a] Ordinary shares			
Issued and full paid	[b]	**568,328**	**568,328**

	31 December 2014	
	Number of Shares	$'000
[b] Movement in ordinary shares on issue		
Beginning of the half-year	1,090,584,232	568,328
Shares issued	220,853	-
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 2014, no performance rights were issued.
As at 31 December 2014, there were 1,561,370 performance rights on issue (31 December 2013: 880,088).

15. DIVIDENDS PAID AND PROPOSED

Dividends totalling $43,632,203 were declared and paid during the period.

16. 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 that meet the criteria of cash flow hedges.

During the 6 month period to 31 December 2014, the Group delivered into US dollar foreign exchange forward contracts totalling US$101,000,000 at a weighted average exchange rate of A$1.00/US$0.9134.

At 31 December 2014, the notional amount of the foreign exchange hedge book totalling US$54,000,000 is made up exclusively of forward exchange contracts with maturity dates due in the 6 months ending 30 June 2015 and with a weighted average contract rate of A$1.00/US$0.8867.

As at 31 December 2014, the mark-to-market unrealised loss on the total outstanding US dollar foreign exchange hedge book of US$54,000,000 was A$5,150,000.

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.

16. FINANCIAL INSTRUMENTS (CONTINUED)

[b] Fair value of financial assets and financial liabilities

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

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

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

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

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

The unrealised marked to market fair value loss of derivative financial instruments of $5,150,000 was determined using the Level 2 method requiring fair value to be calculated using observable market inputs. The Group's fair values under the Level 2 method are sourced from an independent valuation by the Group's treasury advisors. The valuation techniques use prevailing market inputs sourced from Reuters/Bloomberg and assume no-arbitrage interest rate parity to derive forward exchange rates which are then utilised, with appropriate credit adjustments, to determine the derivative fair values.

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 2014 are shown below.

	Carrying Amount $'000	Fair Value $'000
Financial assets - current		
Cash	54,427	54,427
Short-term deposits	20,000	20,000
Term deposits	280,000	280,000
Trade debtors	5,629	5,629
Other receivables	7,282	7,282
	367,338	367,338
Financial liabilities – current		
Trade and other payables	69,957	69,957
Lease and hire purchase liabilities	7,116	7,116
Derivatives	5,150	5,150
	82,223	82,223
Financial liabilities – non current		
Lease and hire purchase liabilities	993	993
	993	993
Net financial assets	**284,122**	**284,122**

17. EVENTS AFTER THE 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.

18. COMMITMENTS

At 31 December 2014, the Group has commitments of:

- $4,390,000 (31 December 2013: $18,066,332) relating to operating leases for the provision of mobile fleet equipment and office rental;
- $8,109,000 (31 December 2013: $21,369,000) under finance leases and hire purchase liabilities which have been recognised in the balance sheet;
- $95,415,000 (31 December 2013: $172,167,155) relating to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- $1,256,000 (31 December 2013: $281,253) relating to capital commitments for the purchase of property, plant and equipment principally at Koolan Island.

19. 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 Tallering Peak's production over the life of mine after 0.65 million (+/-10%) wet metric tonnes ("**WMT**") per year is provided to other customers.
- The sale to a subsidiary of APAC of 20% of iron ore from Tallering Peak's production over the life of mine after 0.65 million (+/-10%) WMT per year is provided to other customers.
- 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 245,180 wmt (2013: 577,040 wmt) of iron ore to APAC; and
- Sold 779,669 wmt (2013: 2,443,476 wmt) of iron ore to SCIT.

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

	31 December 2014 $'000	30 June 2014 $'000
Assets and Liabilities		
Current Assets		
Trade receivables - APAC	859	6,562
Trade receivables - SCIT	751	16,609
Total trade receivables	1,610	23,171
Total Assets	**1,610**	**23,171**
Current Liabilities		
Trade payables – APAC	-	-
Trade payables - SCIT	-	-
Total trade payables	-	-
Total Liabilities	**-**	**-**

	31 December 2014 $'000	31 December 2013 $'000
Net Sales Revenues		
Net sales revenue - APAC	17,635	57,337
Net sales revenue - SCIT	45,946	261,377
	63,581	**318,714**

20. CONTINGENT LIABILITIES

1. The Group has a performance bonding facility drawn to a total of $57,251,000 (30 June 2014: $57,221,000). 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 2014 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2014 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

16 February 2015

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To the members of Mount Gibson Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mount Gibson Iron Limited, which comprises the balance sheet as at 31 December 2014, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Mount Gibson Iron Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mount Gibson Iron Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

Peter McIver

Peter McIver
Partner
Perth
16 February 2015