

# FY2015 Financial Results



# MGX

Investor Presentation  
19 August 2015

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# FY2015

## Overview



- Full year sales revenue of **A\$325 million** (FY2014: A\$898 million) on iron ore sales of **5.8 million wet metric tonnes<sup>^</sup>** (Mwmt) (FY2014: 9.7 Mwmt).
- Underlying gross loss\* of **A\$13.9 million** before impairments (FY2014: A\$173.0 million gross profit).
- Reported net loss after tax of **A\$911.4 million** (FY2014: A\$96.4 million profit), after non-cash impairment charges of **A\$945.2 million** and a non-cash income tax benefit of A\$99.9 million.
- Cash and term deposits of **A\$334 million** at 30 June 2015 (30-June-2014: A\$520 million).
- Total Cost of Goods Sold (COGS) of **A\$62/wmt** Free on Board (FOB), including non-cash costs, royalties and before impairments (FY2014: A\$75/wmt).
- Conditional confirmation received that insurance policies will respond to the seawall failure and initial partial progress payment of A\$1.85 million received from insurers in July.
- Full year operating cashflow of **A\$35 million** from Extension Hill reflecting significant cost reductions.
- Cost reduction program to deliver further savings, with corporate and administration costs reduced by **over 50%** in the year, and targeted to fall a further 20% below **A\$1.0 million/month** in the December half.
- FY2016 sales guidance of **4.0 to 4.5 million tonnes** at all-in cash cost\*\* of **A\$50-54/wmt** FOB.
- Delineation of Iron Hill Mineral Resource confirms life extension potential at Extension Hill mine.

<sup>^</sup>Inclusive of sales from discontinued operations.

\* From continuing operations. 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.

\*\* All-in cash costs are reported FOB and include all operating, capital, royalties, closure and head office costs.

# FY2015 Profit/Loss

A challenging year: Impacted by seawall and falling prices



Results for 12 months ended 30 June 2015 compared with the prior corresponding 12 month period:		12 months ended 30 June 2015	12 months ended 30 June 2014
Ore tonnes mined <sup>^</sup>	<i>wmt (mill)</i>	5.9	7.9
Ore tonnes sold <sup>^</sup>	<i>wmt (mill)</i>	5.8	9.7
Average realised price, all products <sup>^</sup> (FOB)	<i>A\$/wmt sold</i>	55.6	92.5
<b>Consolidated sales revenue<sup>^</sup></b>	<i>A\$ mill</i>	324.6	898.0
<b>Continuing Operations (Extension Hill &amp; Koolan Island):</b>			
Sales revenue	<i>A\$ mill</i>	315.6	660.2
Interest income	<i>A\$ mill</i>	12.2	15.5
Cost of goods sold	<i>A\$ mill</i>	(341.7)	(502.7)
<b>Underlying* gross profit/(loss) before impairments</b>	<i>A\$ mill</i>	<b>(13.9)</b>	<b>173.0</b>
Impairment of ore inventories	<i>A\$ mill</i>	(3.4)	-
<b>Gross profit/(loss)</b>	<i>A\$ mill</i>	<b>(17.3)</b>	<b>173.0</b>
Admin and other expenses/income	<i>A\$ mill</i>	(24.4)	(19.9)
Impairments**	<i>A\$ mill</i>	(935.7)	-
Stock obsolescence	<i>A\$ mill</i>	(9.0)	-
Finance costs	<i>A\$ mill</i>	(2.9)	(5.6)
<b>Profit/(loss) before tax from continuing operations</b>	<i>A\$ mill</i>	<b>(989.4)</b>	147.5
Income tax benefit/(expense)	<i>A\$ mill</i>	99.9	(57.3)
<b>Profit/(loss) after tax from continuing operations</b>	<i>A\$ mill</i>	<b>(889.5)</b>	<b>90.2</b>
<b>Discontinued Operations (Tallering Peak):</b>			
Profit/(loss) after tax from discontinued operations	<i>A\$ mill</i>	(21.9)	6.2
<b>Net profit/(loss) after tax</b>	<i>A\$ mill</i>	<b>(911.4)</b>	<b>96.4</b>

<sup>^</sup> Shown inclusive of the discontinued Tallering Peak operations. Refer the attached financial statements for further details.

\* 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.

# FY2015 Cash Movements

## A challenging year



FY2015 Cash Movement Summary		A\$m
<b>Opening cash balance at 30 June 2014</b>		<b>520</b>
Dividend paid	(44)	
Interest received	12	
Corporate & Projects	(24)	
Exploration	(3)	
Redundancies and accrued benefits	(17)	
Extension Hill cashflow (after royalties and capex)	35	
Koolan Island operating cashflow (after royalties, before capex)	20	
Koolan Island capex - mobile mining fleet and fixed assets	(45)	
Koolan Island capex - footwall ground stabilisation	(3)	
Koolan Island capex - waste stripping	(83)	
Pay-down of Koolan Island suppliers/creditors	(26)	
Seawall failure – initial repair works and insurance claim costs	(3)	
Other	(5)	<b>(186)</b>
<b>Closing cash balance at 30 June 2015</b>		<b>334</b>

# FY2015

A challenging year: Impacted by Koolan seawall and falling prices



12 months ended 30 June:	2015		2014	
Sales Volume (Mwmt)	5.8		9.7	
Sales Revenue (A\$m)	325		898	
Realised FOB Price (A\$/wmt sold, incl. penalties & FX hedging)	56		92	
<b>Cost Performance (continued operations)</b>	<b>A\$m</b>	<b>A\$/wmt sold</b>	<b>A\$m</b>	<b>A\$/wmt sold</b>
Total Cost of Goods Sold	341.7	61.64	502.7	74.56
Less: depreciation & amortisation	(64.7)	(11.67)	(167.6)	(24.85)
Add: deferred waste mining costs (excl. non-cash)	83.0	14.97	144.2	21.39
Less: ore stockpiles drawdown (non-cash)	(14.3)	(2.58)	(23.6)	(3.50)
<b>Cash operating expenditure including royalties</b>	<b>345.7</b>	<b>62.36</b>	<b>455.7</b>	<b>67.60</b>
Less: royalties	(29.8)	(5.37)	(56.1)	(8.32)
<b>Cash operating expenditure excluding royalties</b>	<b>315.9</b>	<b>56.99</b>	<b>399.6</b>	<b>59.28</b>

Note: Sales volumes and revenues/prices are shown inclusive of the discontinued Talling Peak operation. The cost information is shown exclusive of the discontinued Talling Peak operation in order to provide a better representation of current mining operations. All costs are reported on a Free on Board (FOB) basis.

<b>Extension Hill Quarterly Cash Cost &amp; Cashflow Performance</b>	<b>Unit</b>	<b>Sep-14 Quarter</b>	<b>Dec-14 Quarter</b>	<b>Mar-15 Quarter</b>	<b>Jun-15 Quarter</b>	<b>2014/15 Year</b>
<b>Sales volume</b>	<b>'000 wmt</b>	<b>705</b>	<b>847</b>	<b>776</b>	<b>1,080</b>	<b>3,408</b>
Cash operating cost	A\$/wmt	54.73	41.15	47.20	37.68	44.24
Royalties	A\$/wmt	5.45	4.80	4.73	4.17	4.72
Sustaining capex	A\$/wmt	0.30	0.56	0.57	1.72	0.88
<b>Total Cash Cost</b>	<b>A\$/wmt</b>	<b>60.48</b>	<b>46.51</b>	<b>52.50</b>	<b>43.57</b>	<b>49.83</b>
<b>Site cashflow (pre-tax)</b>	<b>A\$m</b>	<b>4.7</b>	<b>15.6</b>	<b>4.1</b>	<b>10.4</b>	<b>34.9</b>

\* Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations.

### Sales Guidance:

- Extension Hill production to increase to **3.5-4.0 million tonnes per annum** in FY2016.
- Second stage mining campaign planned at Koolan Island Acacia East satellite pit to recover additional **0.7Mt** in the December half 2015, subject to the iron ore price over the period.

*Group ore sales guidance of **4.0–4.5 Mwmt** for FY2016.*

### Cost Guidance:

- Organisational restructuring ongoing, with head office cash costs reduced 20% to A\$1.2million/month in June and a further reduction to **<A\$1 million/month** targeted.
- Extension Hill all-in site cash costs\* reduced to **A\$44/wmt FOB** in the June quarter giving an average of **A\$47/wmt** for H2 FY2015.

*Average all-in cash cost target of **A\$50-54/wmt FOB**, including **all operating, capital, royalties, closure and head office costs.***

\* Site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations.



### The MGX response in H2 has been decisive and effective:

- Substantial cost reductions achieved business-wide:
  - Corporate costs reduced by **+50%** and targeted to fall to **<A\$1m/month**
  - Workforce numbers reduced **68%**
  - COGS reduced 17% to **A\$62/wmt**
  - Extension Hill site cash costs reduced 15% to **A\$44/wmt FOB** in June quarter
- Acacia East pit delivering extra value from Koolan Island
- Cash **increased by A\$10m** in June quarter
- Insurance claim progressing, and initial A\$1.85m progress payment received

### MGX has real upside potential on multiple fronts:

- Extension Hill production plan accelerates cashflow and lowers unit cost further.
- Iron Hill resource increase confirms mine life extension potential
- New business opportunity created with KILB
- Seawall rebuild evaluation offers Koolan Island future potential of high quality product
- Robust balance sheet provides maximum flexibility
- Actively evaluating broad range of resources opportunities outside iron ore

# FY2015 Financial Results



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# Supplementary Information

## Business is positioned for upside



### Koolan Island

- Acacia East Pit Stage 2 completion by Dec 2015
- Transition to care and maintenance end 2015
- Complete evaluation of Main Pit seawall rebuild options
- Main Pit seawall insurance claim progressing
- Progress Koolan Island Logistics Base (KILB) proposal

### Mid West Region

Extension Hill Mine & Geraldton Port facilities

#### Extension Hill

- Low cost – maintain site cash costs at/below current levels
- Ramping up to 3.5-4.0 Mtpa
- Progress permitting for Iron Hill to extend mine life beyond end 2016
- Iron Hill Resource 8.8Mt @ 58.5% Fe delineated\*

#### Regional

- Increased Shine Resource provides future optionality\*

\*Refer ASX releases dated 17 August 2015, and slide 13.

# Supplementary Information

## Top quality Mineral Resources position business for upside



Iron Hill	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources, above 50% Fe</b>					
Measured	0.00	0.0	0.00	0.00	0.000
Indicated	1.47	60.5	8.35	1.02	0.047
Inferred	7.33	57.9	8.65	1.74	0.069
<b>Total</b>	<b>8.80</b>	<b>58.3</b>	<b>8.60</b>	<b>1.62</b>	<b>0.065</b>
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Shine	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources, above 50% Fe</b>					
Measured	5.73	58.9	9.04	1.81	0.076
Indicated	6.57	58.0	10.01	1.35	0.070
Inferred	3.59	56.8	9.61	1.18	0.063
<b>Total</b>	<b>15.89</b>	<b>58.1</b>	<b>9.57</b>	<b>1.48</b>	<b>0.071</b>
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Koolan Island	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	8.14	59.1	13.55	1.11	0.017
Indicated	42.60	64.3	6.42	0.76	0.014
Inferred	10.89	60.2	12.48	0.79	0.015
<b>Total</b>	<b>61.62</b>	<b>62.9</b>	<b>8.43</b>	<b>0.81</b>	<b>0.014</b>
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

### Significant future optionality value from substantial Mineral Resources\* :

#### Iron Hill:

- confirmed potential for material extension of mine life at Extension Hill for minimal capital cost
- targeting commencement on depletion of Extension Hill pit in 2016-17, subject to necessary approvals and conditions
- Iron Hill one of three known hematite prospects adjacent to Extension Hill operations on granted mining leases

#### Shine:

- 100% increase in Mineral Resource enhances potential value
- advanced project with key regulatory approvals in place
- opportunity for rapid-start, low capex production opportunity when market conditions improve

#### Koolan Island

- Main Pit Deposit - high grade resource, and highly sought after products
- operational characteristics well understood by MGX
- significant future production potential subject to identification of feasible seawall rebuild option and favourable market conditions

# Supplementary information

## Mineral Resources and Ore Reserves at 30 June 2015

Koolan Island					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	8.14	59.1	13.55	1.11	0.017
Indicated	42.60	64.3	6.42	0.76	0.014
Inferred	10.89	60.2	12.48	0.79	0.015
<b>Total</b>	<b>61.62</b>	<b>62.9</b>	<b>8.43</b>	<b>0.81</b>	<b>0.014</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	0.38	59.1	14.86	0.28	0.009
Probable	0.49	60.6	12.05	0.58	0.011
<b>Total</b>	<b>0.87</b>	<b>60.0</b>	<b>13.27</b>	<b>0.45</b>	<b>0.010</b>
Extension Hill					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	6.28	58.2	6.47	2.25	0.077
Indicated	1.96	59.8	8.73	1.13	0.053
Inferred	7.54	57.8	8.70	1.74	0.069
<b>Total</b>	<b>15.77</b>	<b>58.2</b>	<b>7.81</b>	<b>1.87</b>	<b>0.070</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	5.88	58.2	6.55	2.22	0.077
Probable	0.31	57.3	10.92	1.26	0.071
<b>Total</b>	<b>6.19</b>	<b>58.2</b>	<b>6.77</b>	<b>2.17</b>	<b>0.076</b>
Tallering Peak					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	0.41	58.9	6.26	3.50	0.082
Indicated	1.03	58.1	11.70	1.66	0.066
Inferred	0.20	54.7	17.89	1.93	0.056
<b>Total</b>	<b>1.65</b>	<b>57.9</b>	<b>11.10</b>	<b>2.15</b>	<b>0.069</b>
Shine					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	5.73	58.9	9.04	1.81	0.076
Indicated	6.57	58.0	10.01	1.35	0.070
Inferred	3.59	56.8	9.61	1.18	0.063
<b>Total</b>	<b>15.89</b>	<b>58.1</b>	<b>9.57</b>	<b>1.48</b>	<b>0.071</b>
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

Total Group Mineral Resources and Ore Reserves at 30 June 2015					
(above 50% Fe)	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources</b>	<b>94.93</b>	<b>61.2</b>	<b>8.57</b>	<b>1.12</b>	<b>0.034</b>
<b>Ore Reserves</b>	<b>7.06</b>	<b>58.4</b>	<b>7.57</b>	<b>1.96</b>	<b>0.068</b>
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

### Attributions

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

The information in this report relating to Mineral Resources for the Shine, Extension Hill (excluding Iron Hill), and Tallering Peak deposits as well as the Acacia East, Mullet Acacia, Barramundi West, Eastern Barramundi and Mangrove Mineral Resources at Koolan Island, 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. Elizabeth Haren was a full-time employee of, and is a consultant to, Mount Gibson Iron Limited. Elizabeth Haren has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Elizabeth Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears. The Mineral Resource estimates comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

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

The information in this report relating to Ore Reserves at Koolan Island, Extension Hill and Shine is based on information compiled by Paul Salmon, a Competent Person who is a member and a Chartered Professional of the Australasian Institute of Mining and Metallurgy. Paul Salmon is a full-time employee of Mount Gibson Iron Limited. Paul Salmon 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'. Paul Salmon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The Ore Reserve estimates comply with recommendations in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore they are suitable for public reporting.

Refer ASX releases dated 17 August 2015 for full details of the Iron Hill and Shine Mineral Resources, and statement of Group Mineral Resources and Ore Reserves as at 30 June 2015.