



# Mount Gibson Iron Limited

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## ASX ANNOUNCEMENT

**ASX Code : MGX**

11 November 2015

### **MGX Chairman's Address – Annual General Meeting**

Good morning ladies and gentlemen. For those of you who don't know me, my name is Lee Seng Hui, and it gives me great pleasure to welcome you all to Mount Gibson Iron's 2015 annual general meeting.

Without question, the 2014/15 year was one of the most challenging in Mount Gibson Iron's history.

The Company faced a convergence of extreme events, notably the significant and sustained decline in iron ore prices and the failure of the Main Pit seawall at Koolan Island part-way through a substantial investment program to increase the mine's production capacity and operating efficiency.

These events were clearly reflected in our weak financial results for the year: a statutory net loss after tax of \$911.4 million, after total non-cash impairments of \$945.2 million and a non-cash tax benefit of \$99.9 million. Our substantial cash reserves also declined materially, from \$520 million at the end of June 2014 to \$334 million at the end of June 2015.

In the circumstances, the Board sensibly determined it would be inappropriate to declare a dividend for the 2014-15 year. However, we remain proud of our record of returning capital to shareholders when appropriate and will continue to consider the payment of dividends based on our financial performance every six months.

The Board also undertook a thorough review of the existing business and worked closely with management to realign the business with the evolving conditions. This approach fundamentally reduced costs, reshaped the business consistent with its changed circumstances and re-positioned the Company to move forward in a low iron ore price environment.

The effectiveness of this approach is evidenced by the 50% reduction in corporate costs and 17% decline in the total cost of goods sold over the year. More importantly, as our September 2015 quarter performance demonstrated, we have achieved further improvements on both fronts since the start of the new financial year.

The Board's overarching strategic objective continues to be the creation of long term value through investment in exploration, development, and efficient operational extraction of mineral resources.

Looking ahead to the current financial year, the Board has determined a very specific plan to position the business for a return to profitability and to establish a platform to deliver long term value for all our shareholders.

The Board's corporate objective for the 2015/16 financial year is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash for value-accretive investments.

The Board has determined the following key business objectives in the 2015/16 financial year. Our focus will be to:

- continue to drive for sustainable cost improvements across the existing business through further supplier cost reductions and productivity gains;
- operate our Extension Hill mine at an increased output rate and progress development of the nearby Iron Hill deposit to extend the operational life of the mine beyond the current end of the reserve life in late 2016;
- complete the extended mining campaign at the Acacia East satellite pit on Koolan Island and thereafter place the site on care and maintenance whilst we undertake the detailed work required to investigate the potential to reinstate the seawall and resume production from the Main Pit orebody;
- progress and finalise the Koolan Island seawall insurance claim relating to property damage and business interruption;
- progress the business case for the proposed Koolan Island Logistics Base to support oil and gas activity in the Browse Basin while ensuring our capability to restart mining operations in the future;
- increase the yield on the Company's cash reserves; and
- continue the search for attractive business development opportunities in the resources sector.

By focusing on these priorities, we are confident that Mount Gibson can navigate the uncertain market conditions and capitalise on our financial strength to deliver strong long term returns for our shareholders.

It is important to remember that, despite the disappointing results of the last year, Mount Gibson remains in a strong position relative to many miners, with substantial cash reserves and minimal debt.

This strength give us great flexibility both to progress opportunities within our existing business as well as to grow and diversify our business through quality resources development opportunities outside of iron ore.

In summary, I would like to thank my fellow Directors and the employees of Mount Gibson for their tireless contributions and dedication in difficult circumstances. As we look to the future with renewed optimism I am confident of reporting a more successful financial year ahead.

**Lee Seng Hui**

Chairman  
Mount Gibson Iron Limited

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