

# December 2015 Half-Year Financial Result



# MGX

Investor Presentation  
17 February 2016

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# Financial Result H1 2015-16

## Overview



- Six month sales revenue of **\$124 million** (H1 2014-15: \$180 million) after provisional pricing adjustments.
- Iron ore sales of **2.6 Mwmt** (H1 2014-15: 3.1 Mwmt<sup>^</sup>).
- Gross profit from continuing operations of **\$12.0 million** before tax and impairments (H1 2014-15: \$12.3 million gross loss).
- Reported statutory net loss after tax of **\$15.4 million** (H1 2014-15: \$869.8 million loss), after non-cash impairment charges of \$23.6 million, and corporate and other expenses/income.
- Cash and term deposits of **\$345.5 million** at 31 December 2015, an increase of \$11.5 million compared with 30 June 2015.
- Total Cost of Goods Sold (COGS) of **\$44/wmt** Free on Board (FOB), including non-cash costs, royalties and before impairments (H1 2014-15: \$61/wmt).
- All-in group cash costs\* of **\$49/wmt** FOB for December Half 2015 (H1 2014-15: \$76/wmt).
- FY2016 sales guidance maintained: **4.5 to 5.0 million tonnes** at an all-in cash cost\* of **\$50-54/wmt** FOB.

*All figures in Australian dollars unless stated otherwise*

*<sup>^</sup>Inclusive of sales from the discontinued Tallering Peak operations.*

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

# Financial Result H1 2015-16

## At a glance



- The Platts 62% Fe price averaged US\$51/dmt CFR in the December half, down 38% compared with the prior corresponding period.
- Total group ore sales of 2.6 Mwmt, down 17%.
- Total ore sales revenue of \$124 million, down 31%.
- Cost of Goods Sold reduced by 28% to \$44/wmt.

Sales Volume & Earnings		Dec-15 HY	Dec-14 HY
Sales Volume <small>(Refer Note)</small>	Mwmt	<b>2.6</b>	3.1
Sales Revenue	A\$m	<b>124.0</b>	179.8
Gross profit/(loss) from continuing operations	A\$m	<b>12.0</b>	(12.3)
Statutory profit/(loss) after tax	A\$m	<b>(15.4)</b>	(869.8)
Unit Prices & Costs			
Realised FOB Price <small>(includes penalties, FX hedging and provisional pricing adjustments)</small>	A\$/wmt sold	<b>48</b>	64
Cost of Goods Sold <small>(includes site cash and non-cash costs, and royalties)</small>	A\$/wmt sold	<b>44</b>	61

Note: The total sales volume for the December 2014 half-year includes the Talling Peak operation which was classified as discontinued in FY2015. All other information excludes the Talling Peak operation in order to provide a more useful comparison with current mining operations. All costs are reported on a Free on Board (FOB) basis.

# Financial Result H1 2015-16

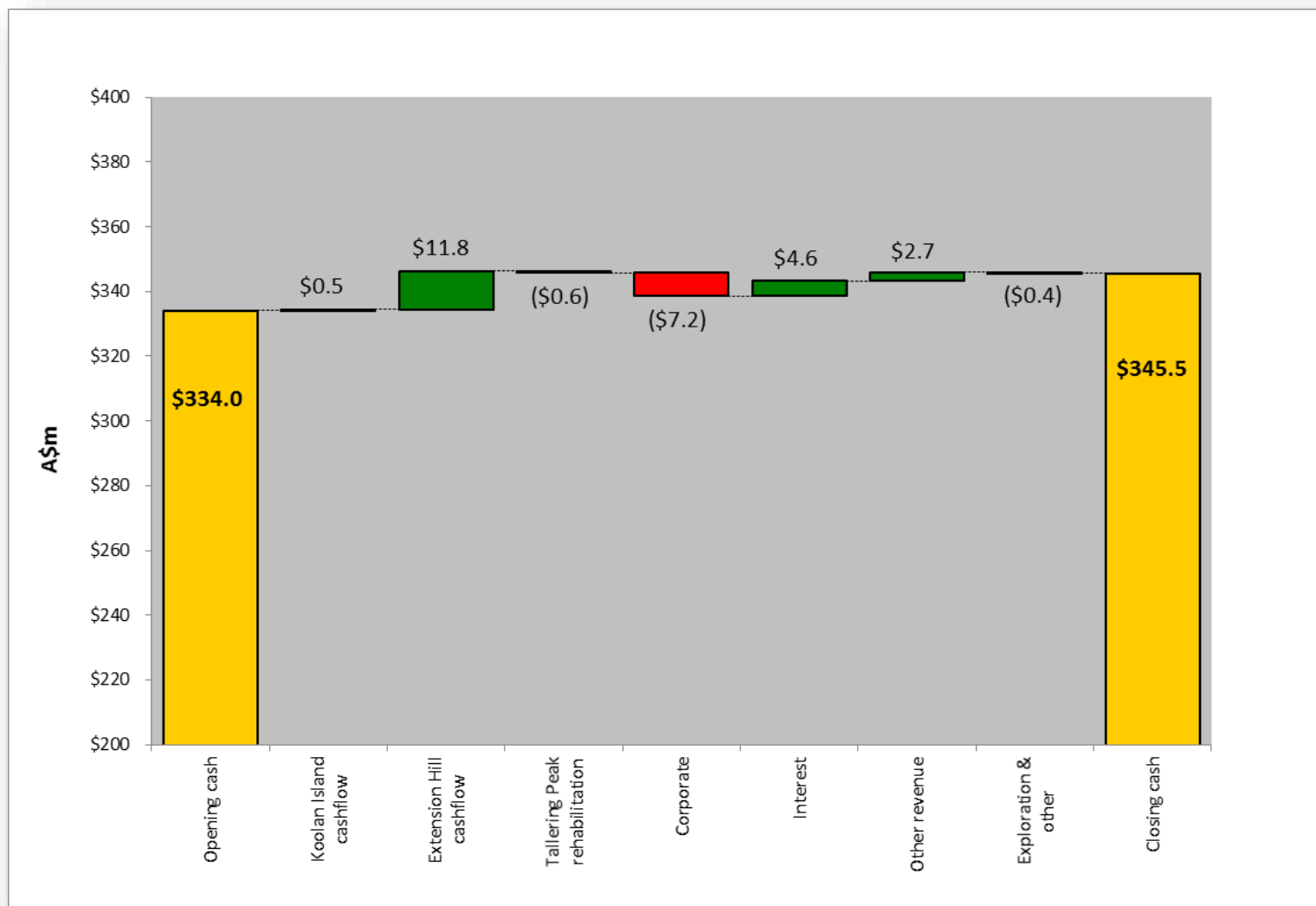
## Cash operating expenditure



Six months ended 31 December:	2015		2014	
Sales Volume (Mwmt)	2.6		3.1 (2.8 excluding Tallering Peak)	
Sales Revenue (A\$m)	124.0		179.8	
Realised FOB Price (A\$/wmt sold, including penalties and FX hedging)	48		61	
Cost breakdown	A\$m	A\$/wmt sold	A\$m	A\$/wmt sold
Cost of Goods Sold	114.3	44.27	171.9	61.25
Less: depreciation and amortisation	(8.3)	(3.23)	(59.5)	(21.20)
Add: deferred waste mining costs	-	-	92.7	33.02
Add: ore stockpiles build-up	11.8	4.55	19.1	6.81
<b>Cash operating expenditure including deferred waste mining and royalties</b>	<b>117.7</b>	<b>45.60</b>	<b>224.2</b>	<b>79.87</b>
Less royalties	(9.7)	(3.77)	(17.6)	(6.27)
<b>Cash operating expenditure excluding royalties</b>	<b>108.0</b>	<b>41.83</b>	<b>206.6</b>	<b>73.60</b>

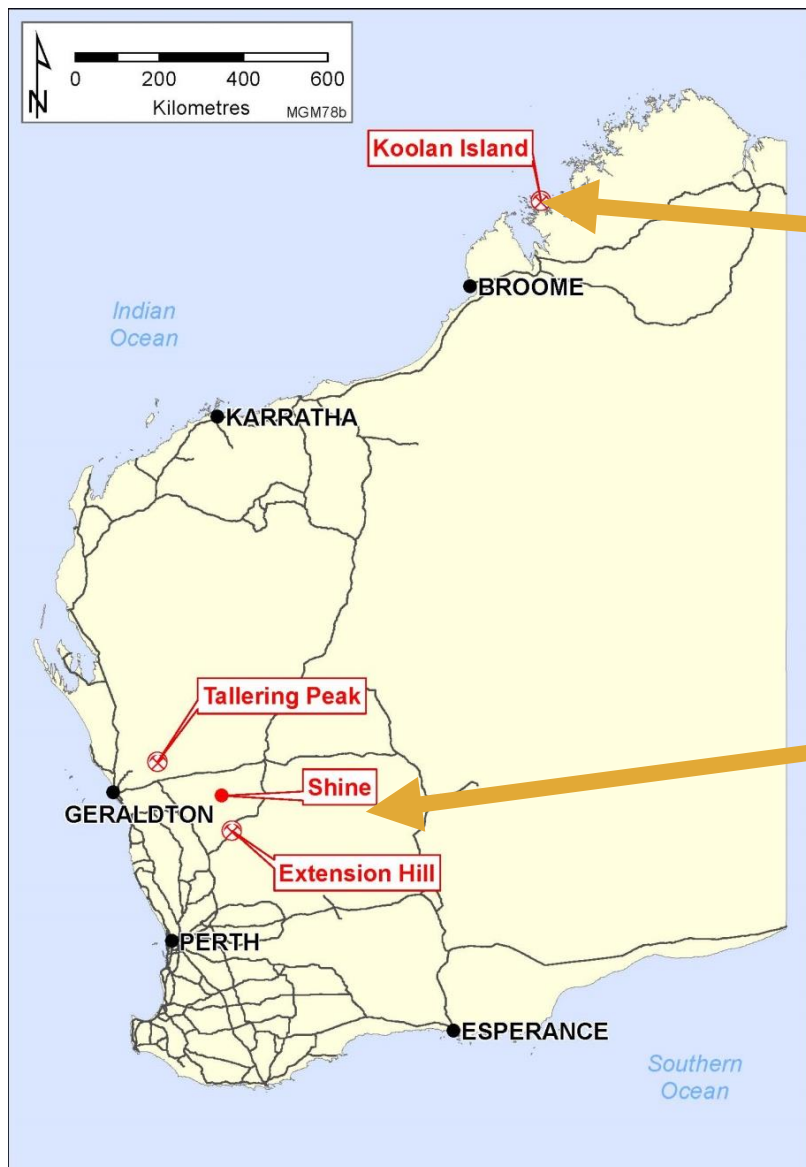
# Financial Result H1 2015-16

## Cash movements over the half-year



# Financial Result H1 2015-16

## Business Overview



### Koolan Island

- Acacia East Pit mining to be completed in March Quarter 2016, sales complete late March/early April.
- Transition to care and maintenance mid-2016.
- Evaluation of Main Pit seawall rebuild options ongoing.
- Main Pit seawall insurance claim progressing.
- Ongoing assessment of potential for Koolan Island Logistics Base (KILB) to support offshore oil/gas activity.

### Extension Hill

- Simple, low cost operation.
- Optimisation initiatives enable production rate to flex between 3 - 4 Mtpa without impacting unit costs.
- Pit life likely to be extended by 6 months to early 2017.
- Permitting progressing for Iron Hill Deposit\*.
- Iron Hill PER released November 2015, public comment period ended January 2016.
- Targeting approvals late 2016.

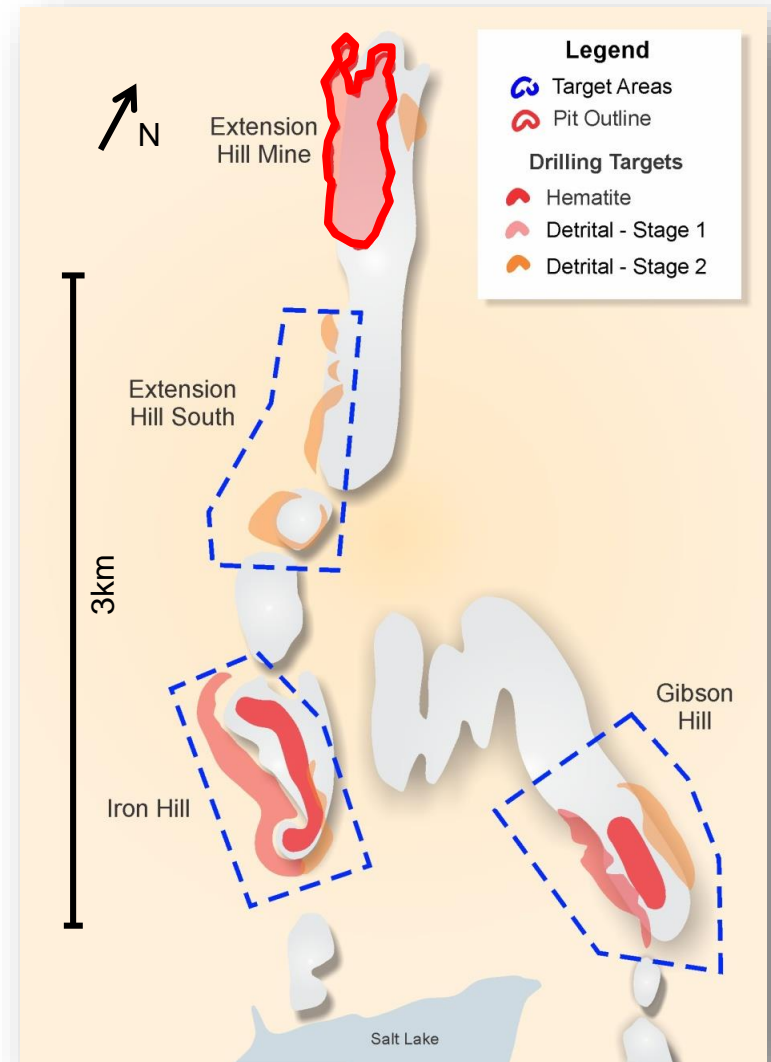
*\*Refer ASX release dated 17 August 2015 and slides at end of presentation.*

# Extension Hill

## Low-capital growth platform



- Established road, rail and port solutions.
- Site cash cost target \$44-47/wmt FOB.
- Able to flex production between 3-4 Mtpa without materially impacting unit costs.
- Extension Hill pit scheduled for completion in early 2017.
- Iron Hill Deposit, 3km south of current pit, offers significant potential production opportunity.
- Iron Hill Mineral Resource of 8.8 Mt @ 58.5% Fe\*.
- Minimal expected capital costs – haul road.
- Development permitting progressing, PER submitted.
- Other high potential targets adjacent to Iron Hill.



\*Refer ASX release dated 17 August 2015, and slides at end of presentation for Mineral Resource and Ore Reserve information.



# Koolan Island

## Extracting value

- Main Pit inundated after seawall failure in December quarter 2014.
- Most of workforce demobilised in late 2014.
- Acacia East satellite mining campaign commenced in early 2015.
- Acacia East mining to conclude in current quarter, sales to conclude March/April 2016.
- Total Acacia East sales of ~1.2 Mt expected for FY2016, 0.8Mt sold to end 2015.
- Sales weighted to Dec & Mar Quarters.
- Site cash cost target \$38-40/wmt.
- Koolan Island to transition to care and maintenance after Acacia East is completed.

*\*See slides at end of presentation for Mineral Resource and Ore Reserve information.*



# Koolan Island

## Future Potential



- Technical investigation into seawall failure completed.
- Insurance claim progressing:
  - Property damage and business interruption cover.
  - Conditional confirmation that policies will respond with initial partial progress payment received in mid 2015.
  - End of 12 month business interruption period in December 2015 quarter enables finalisation of total claim for submission.
- The high grade Main Pit still provides significant future production potential.
- Revised Main Pit concept identified based on approx. 5 - 7 years at ~3Mtpa and ~25% reduction in average strip ratio.
- Technical evaluation of rebuild options expected to be complete in mid 2016.
- Geotechnical drilling completed in February 2016.



*Note: Refer slides at end of presentation for Mineral Resource and Ore Reserve information.*

- Flexible Extension Hill production plan to extend current pit to early 2017.
- Iron Hill Resource confirms potential for production beyond Extension Hill
- Koolan Island seawall rebuild evaluation offers significant future production potential and premium quality product mix.
- Seawall insurance claim progressing.
- Complimentary new business opportunity created with KILB.
- Robust balance sheet provides maximum flexibility.
- Actively evaluating broad range of resources opportunities outside iron ore.

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# Supplementary Information

## Financial Result Breakdown



<b>Results for 6 months ended 31 December 2015 compared with the prior corresponding 6 month period:</b>		<b>6 months ended 31 December 2015</b>	<b>6 months ended 31 December 2014</b>
Ore tonnes mined <sup>^</sup>	<i>wmt (mill)</i>	3.4	3.2
Ore tonnes sold <sup>^</sup>	<i>wmt (mill)</i>	2.6	3.1
Average realised price, all products (FOB) <sup>^^</sup>	<i>\$/wmt sold</i>	48	64
<b>Consolidated sales revenue</b>	<i>\$ mill</i>	124.0	179.8
<b>Continuing Operations (Extension Hill &amp; Koolan Island):</b>			
Sales revenue	<i>\$ mill</i>	124.0	179.8
Interest income	<i>\$ mill</i>	4.6	7.2
Cost of goods sold	<i>\$ mill</i>	(114.3)	(171.9)
Impairment of ore inventories	<i>\$ mill</i>	(2.4)	(27.4)
<b>Gross profit/(loss)</b>	<i>\$ mill</i>	<b>12.0</b>	<b>(12.3)</b>
Admin and other expenses/income	<i>\$ mill</i>	(4.9)	(16.1)
Impairments*	<i>\$ mill</i>	(21.2)	(917.3)
Finance costs	<i>\$ mill</i>	(1.0)	(1.6)
<b>Profit/(loss) before tax from continuing operations</b>	<i>\$ mill</i>	<b>(15.1)</b>	<b>(947.3)</b>
Income tax benefit/(expense)	<i>\$ mill</i>	-	106.9
<b>Profit/(loss) after tax from continuing operations</b>	<i>\$ mill</i>	<b>(15.1)</b>	<b>(840.4)</b>
<b>Discontinued Operations (Tallering Peak):</b>			
Profit/(loss) after tax from discontinued operations	<i>\$ mill</i>	(0.3)	(29.4)
<b>Net profit/(loss) after tax</b>	<i>\$ mill</i>	<b>(15.4)</b>	<b>(869.8)</b>
<sup>^</sup> Shown inclusive of the discontinued Tallering Peak operations. Refer the attached financial statements for further details.			
<sup>^^</sup> Average realised price all products after post-balance date provisional pricing adjustments			
* Impairment of mine properties, consumables inventories, property/plant/equipment and deferred acquisition, and exploration and evaluation costs.			

# 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.