

# FY2016 Financial Results



# MGX

Investor Presentation  
17 August 2016

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# FY2016

## Overview



(All figures are expressed in Australian dollars unless stated otherwise)

- **Underlying \$19.4 million gross profit<sup>1</sup>** comprising an underlying **\$13.4 million** gross profit from continuing operations after administration and finance costs, and a profit of **\$6.0 million** from the discontinued Talling Peak operation.
- **Reported statutory net profit after tax of \$86.3 million** (FY2015: \$911.4 million loss), including settlement of the property damage component of the Koolan Island insurance claim, and after non-cash net impairment charges of \$15.4 million.
- **Full year sales revenue of \$240 million** (FY2015: \$325 million) on iron ore sales of **5.0 million** wet metric tonnes<sup>2</sup> (Mwmt) (FY2015: 5.8 Mwmt).
- **Cash, term deposits and liquid investments of \$400 million** at 30 June 2016 (30-June-2015: \$334 million), including \$51 million in insurance settlement proceeds received by year end, with the balance received in July.
- **Total Cost of Goods Sold (COGS) of \$44/wmt** Free on Board (FOB) (FY2015: \$62/wmt).
- **All-in cash cost<sup>3</sup> of \$46/wmt** FOB for the year, in line with guidance (FY2015: \$62/wmt).
- **Full year cashflow** from operations of **\$5.7 million** (FY2015: negative \$91.1 million).
- **\$86 million** cash settlement agreed for the property damage component of the Koolan Island seawall insurance claim, independent of the business interruption component which is progressing.
- FY2017 sales guidance of **2.8 to 3.1 Mwmt** at an all-in cash cost<sup>3</sup> of **\$48-52/wmt FOB**.
- Conditional EPA approval recommendation received for the Iron Hill Project, with final approvals targeted by end 2016 to allow production to start in early 2017.

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

2. Inclusive of sales from the discontinued Talling Peak operation.

3. All-in cash costs are unaudited and reported FOB including all operating, capital, royalties and head office costs.

# FY2016 Profit

A solid performance in a challenging year



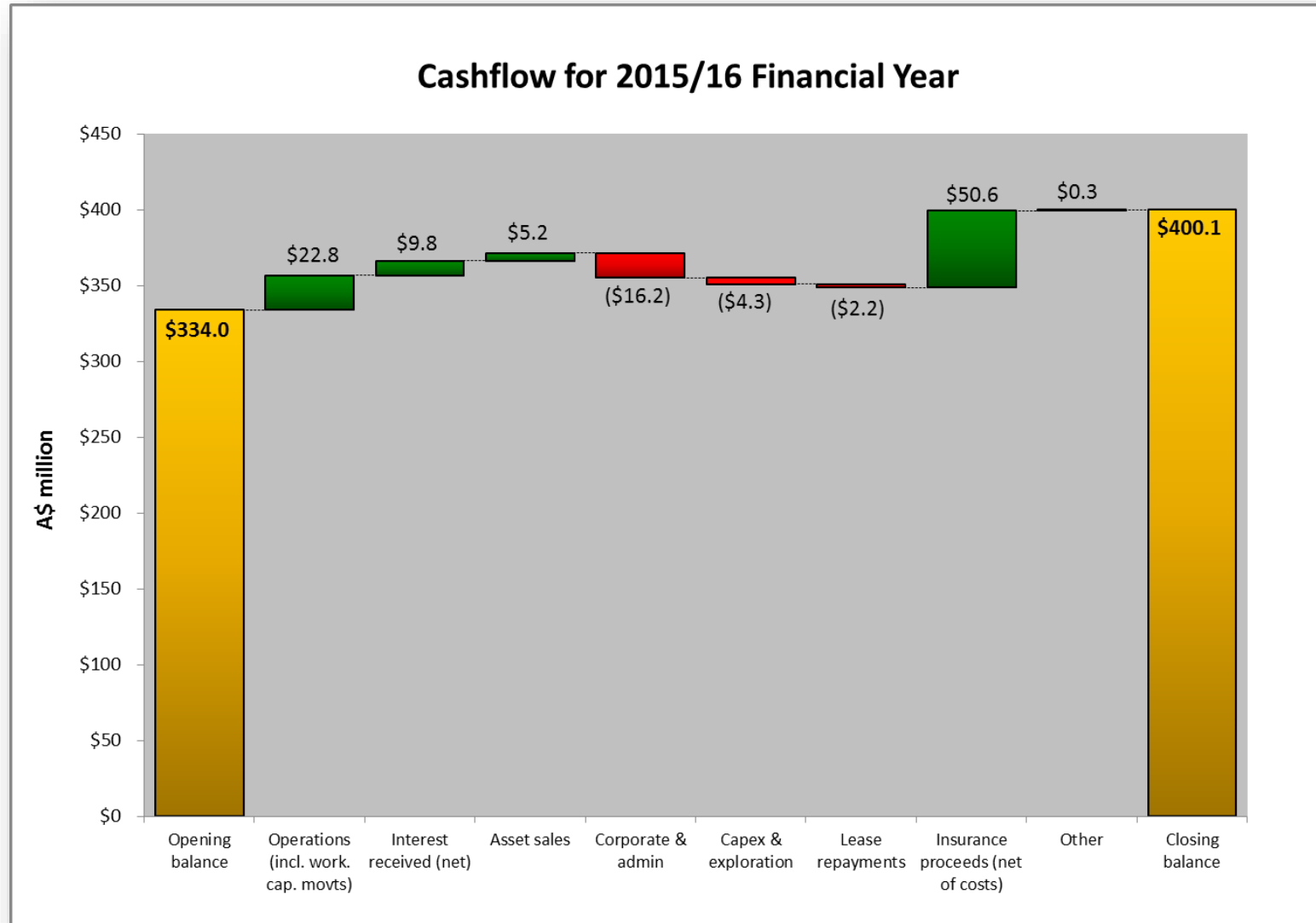
Group Summary Results		Year ended 30 June 2016	Year ended 30 June 2015
Ore tonnes sold <sup>1</sup>	<i>M wmt</i>	5.0	5.8
Average realised price, all products <sup>1</sup> (FOB)	<i>\$/wmt</i>	48.4	55.6
<b>Consolidated sales revenue<sup>1</sup></b>	<i>\$m</i>	<b>240.5</b>	<b>324.6</b>
<b>Continuing Operations (Extension Hill &amp; Koolan Island):</b>			
Sales revenue	<i>\$m</i>	235.2	315.6
Interest income	<i>\$m</i>	9.7	12.2
Cost of goods sold	<i>\$m</i>	(213.7)	(341.7)
Impairment write-back/(loss) on ore inventories	<i>\$m</i>	3.4	(3.4)
<b>Gross profit/(loss) from continuing operations</b>	<i>\$m</i>	<b>34.6</b>	<b>(17.3)</b>
Administration and other expenses	<i>\$m</i>	(19.4)	(32.4)
Finance costs	<i>\$m</i>	(1.8)	(2.9)
<b>Underlying gross profit/(loss)<sup>2</sup> from continuing operations after administration and finance costs</b>	<i>\$m</i>	<b>13.4</b>	<b>(52.6)</b>
Other income (including insurance settlement in 2015/16)	<i>\$m</i>	91.8	7.9
Impairment <sup>3</sup>	<i>\$m</i>	(25.7)	(944.7)
<b>Profit/(loss) before tax from continuing operations</b>	<i>\$m</i>	<b>79.5</b>	<b>(989.4)</b>
Income tax benefit	<i>\$m</i>	0.8	99.9
<b>Profit/(loss) after tax from continuing operations</b>	<i>\$m</i>	<b>80.3</b>	<b>(889.5)</b>
<b>Discontinued Operations (Tallering Peak):</b>			
Sales revenue	<i>\$m</i>	5.3	9.0
Cost of goods sold	<i>\$m</i>	(6.2)	(21.1)
Impairment write-back/(loss) on ore and consumables inventories	<i>\$m</i>	6.8	(7.0)
Tax expense	<i>\$m</i>	-	(2.8)
<b>Profit/(loss) after tax from discontinued operations</b>	<i>\$m</i>	<b>6.0</b>	<b>(21.9)</b>
<b>Net profit/(loss) after tax</b>	<i>\$m</i>	<b>86.3</b>	<b>(911.4)</b>

Totals may not add due to rounding.

1. Shown inclusive of the discontinued Tallering Peak operations. Refer the attached financial statements for details.

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

3. Impairment of mine properties, consumables, property/plant/equipment and deferred acquisition/exploration/evaluation costs.



# FY2016

## A solid performance in a challenging year



<b>12 months ended 30 June:</b>	<b>2016</b>		<b>2015</b>	
Sales Volume (Mwmt)	<b>5.0</b>		<b>5.8</b>	
Sales Revenue (A\$m)	<b>240</b>		<b>325</b>	
Realised FOB Price (A\$/wmt sold, incl. penalties & FX hedging)	<b>48</b>		<b>56</b>	
<b>Cost Breakdown (continued operations)</b>	<b>A\$m</b>	<b>A\$/wmt sold</b>	<b>A\$m</b>	<b>A\$/wmt sold</b>
Cost of Goods Sold	<b>213.7</b>	<b>44.09</b>	341.7	61.64
Less: depreciation and amortisation	(12.3)	(2.54)	(64.7)	(11.67)
Add: deferred waste mining costs (excl. non-cash)	-	-	83.0	14.97
Add: rehabilitation provision adjustment	2.1	0.44	0.2	0.04
Ore stockpiles build-up/(drawdown)	4.4	0.90	(14.3)	(2.58)
<b>Cash operating expenditure including royalties</b>	<b>207.9</b>	<b>42.89</b>	346.0	62.40
Less: royalties	(18.5)	(3.82)	(29.8)	(5.37)
<b>Cash operating expenditure excluding royalties</b>	<b>189.4</b>	<b>39.07</b>	316.2	57.03

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.

### Sales Guidance:

- Mid West/Extension Hill sales of **2.8 - 3.1 million tonnes** in FY2017.
- Extension Hill to contribute ~2.0Mt of standard DSO.
- Remainder to comprise mix of Iron Hill and/or Extension Hill low grade from stockpiles.
- Final sales mix dependent on timing of Iron Hill approvals and market conditions.

### Cost Guidance:

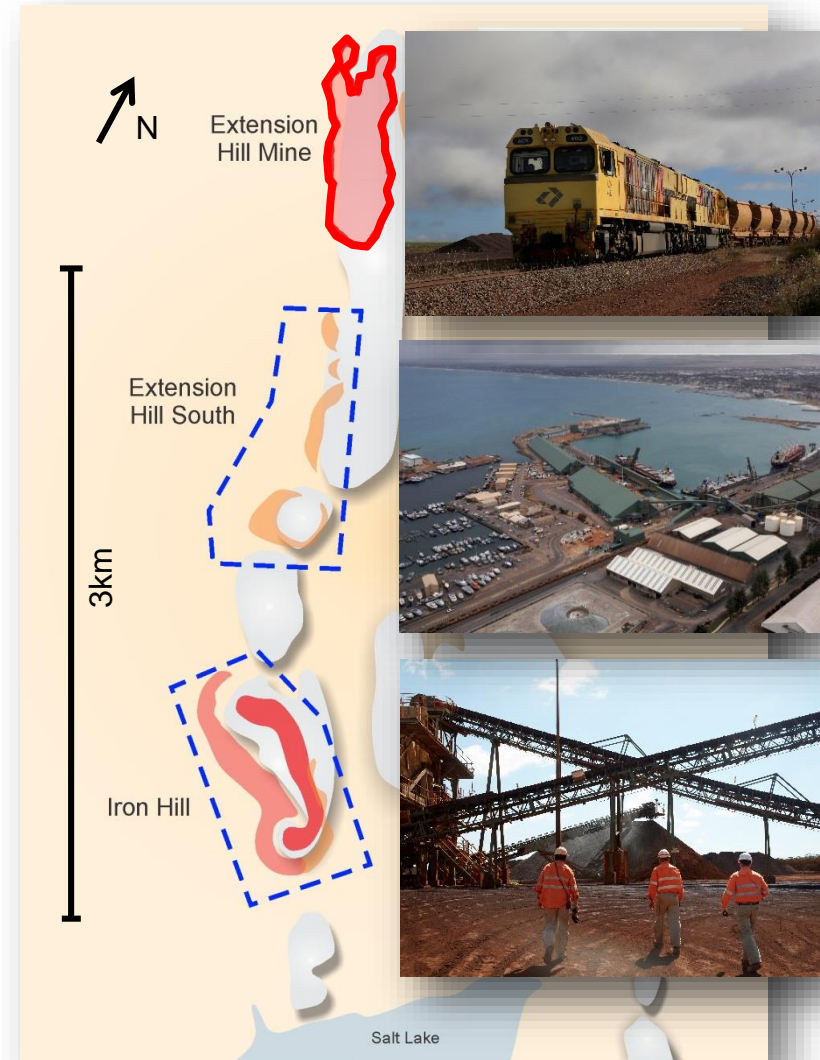
- Average all-in cash cost target of **A\$48-52/wmt FOB**, including all operating, capital, royalties and head office costs.
- Extension Hill all-in site cash costs of **A\$44-46/wmt FOB**.
- Iron Hill development capital costs of \$2-3 million expected for haul road and pre-stripping.
- Iron Hill operational costs expected to be consistent with current Extension Hill operations.

# Extension Hill

## Low-capital sales platform



- All-in site cash cost<sup>^</sup> of \$46/wmt FOB in FY2016.
- Extension Hill pit scheduled for completion early in December 2016 quarter, sales to continue to early 2017.
- Iron Hill Deposit, 3km south of current pit, offers significant potential to extend production beyond 2016.
- Iron Hill Mineral Resource of 8.8 Mt @ 58.3% Fe\*.
- Minimal expected capital costs of \$2-3 million (for haul road and pre-strip), access to existing processing, camp, road, rail and port solutions.
- Positive EPA conditional recommendation received in July. Targeting final approvals in late 2016/early 2017.
- Mid West sales forecast of **2.8-3.1 Mwmt** in FY2017.
- Sales to include **~2.0 Mwmt** of standard Extension Hill product from the current pit.
- Remainder to come from existing Extension Hill low-grade stockpiles and Iron Hill.
- Actual product mix is dependent on timing of final Iron Hill approvals, and market conditions.



*\*Refer ASX release dated 17 August 2015, and slides at end of presentation for Mineral Resource and Ore Reserve information.  
^All-in site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations.*



# Koolan Island

Continued value extraction in FY2016



- Acacia East satellite pit mining campaign commenced in early 2015 and was completed February 2016.
- Total Acacia East production of 2.2Mt achieved vs original target of 1.2Mt.
- Cash generative with average all-in site cash cost<sup>^</sup> of A\$37/wmt FOB in FY2016.
- Koolan Island placed on care and maintenance in the June 2016 quarter.
- Activity is now focused on evaluating the potential to reinstate the seawall and restart production from Main Pit.

<sup>^</sup>All-in site cash costs are reported FOB and include royalties and capex but are before corporate cost allocations.

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



# Koolan Island

## Future Potential



- Seawall insurance claim progressing:
  - \$86m property damage settlement agreed, all funds received by end-July 2016.
  - No restrictions on deployment of settlement proceeds.
  - Business interruption component of claim progressing with the insurers.
- High grade Main Pit deposit provides significant future production potential, subject to confirmation that the seawall can be rebuilt in safe and viable manner.
- \$1.5m committed to complete detailed seawall design and mine planning.
- Targeting significant reduction in average strip ratio, and higher average product grade.
- Technical and financial evaluation of restart options expected to be completed in the March 2017 quarter.



MGX continues to generate strong performance and has real upside potential on multiple fronts:

- Proven cost reduction capability – all-in group cash costs reduced 26% in FY2016.
- Proven ability to generate positive operating cashflow in a low price environment.
- Extension Hill sales to extend into early 2017, production from Iron Hill targeted in first half of 2017 to further extend the Mid West operational life.
- Potential to bridge any timing gap with sales from low grade stockpiles, if financially attractive.
- \$86 million received from Koolan Island property damage insurance settlement.
- Business Interruption component of Koolan Island insurance claim progressing.
- Main Pit restart evaluation provides potential for future high quality production from Koolan Island.
- Robust balance sheet provides maximum flexibility.
- Actively evaluating broad range of resources acquisition opportunities outside iron ore.

# FY2015 Financial Results



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# Supplementary Information

## Business is positioned for upside



## Koolan Island

- Acacia East satellite pit completed in February 2016.
- Transitioned to care and maintenance in the June 2016 quarter.
- Evaluation of Main Pit seawall rebuild options underway.
- Progression of the Business Interruption component of insurance claim.

## Mid West Region

### Extension Hill Mine & Geraldton Port facilities

- Low cost – targeting to maintain site cash costs at or below current levels.
- Mining in the current pit to be completed early in the December 2016 quarter, with sales to extend into early 2017.
- Secure final approvals for Iron Hill to extend mine life beyond early 2017.
- Iron Hill Resource 8.8Mt @ 58.3%\*.
- Potential to bridge any timing gap with low grade sales.

\*Refer ASX releases dated 17 August 2015, and slide 14.

# 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 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.

\*An updated Annual Mineral Resources and Ore Reserves Statement for FY2016 will be released in the current quarter.