

# **HY2016-17 Financial Results**



# **MGX**

**Investor Presentation  
15 February 2017**

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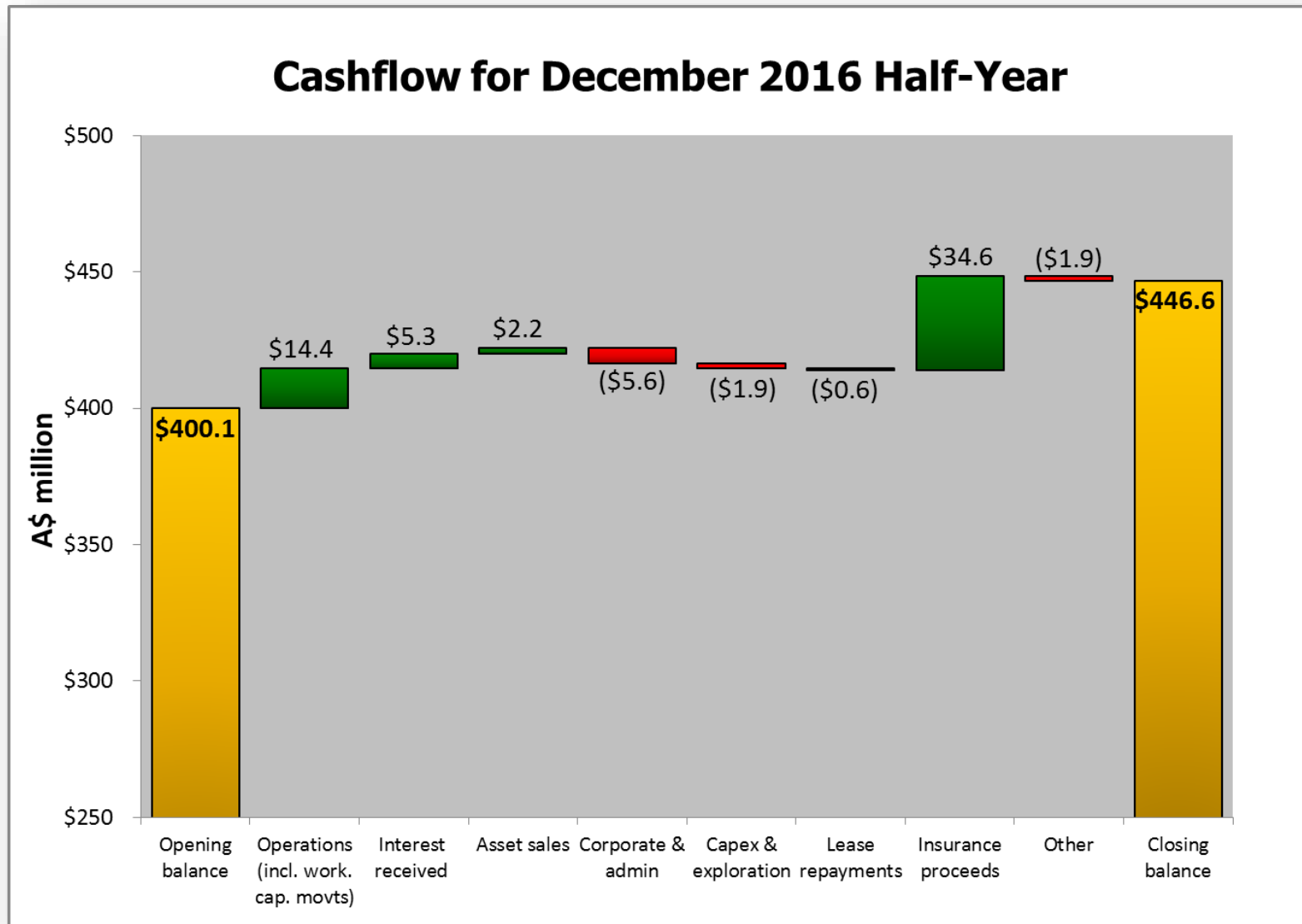
*Investments in MGX shares are considered highly speculative.*

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

- Sales revenue from continuing operations of **\$94 million** (1H 2015-16: \$124 million), and total sales revenue of \$102 million including the discontinued Talling Peak operation.
- Total product sales **1.8 million wet metric tonnes** (Mwmt) (1H 2015-16: 2.6 Mwmt).
- Net profit after tax of **\$22.9 million** (1H 2015-16: \$15.4 million loss).
- Gross profit from continuing operations of **\$24.2 million** before tax (1H 2015-16: \$12.0 million).
- Cash, term deposits and liquid investments of **\$447 million** at 31 December 2016, an increase of \$47 million over the half year.
- All-in group cash costs\* of **\$48/wmt FOB** (1H 2015-16: \$49/wmt), at the low end of guidance.
- Iron Hill mine approved, first ore sales targeted to commence in May 2017.
- FY2017 sales guidance consequently increased to **3.2–3.5 Mwmt** at reduced all-in group cash cost\* of **\$47-51/wmt FOB**.

\* All-in group cash costs are reported FOB and include all operating, capital, royalties and corporate costs.

<b>Results for half-year ended 31 December 2016 compared with the prior corresponding half-year period:</b>		<b>Half-Year ended 31 December 2016</b>	<b>Half-Year ended 31 December 2015</b>
Ore tonnes mined*	<i>wmt (mill)</i>	1.1	3.4
Ore tonnes sold*	<i>wmt (mill)</i>	1.8	2.6
Average realised price, all products (FOB)*	<i>\$/wmt sold</i>	57	48
<b>Consolidated sales revenue*</b>	<i>\$ mill</i>	102.0	124.0
<b>Continuing Operations (Extension Hill &amp; Koolan Island):</b>			
Sales revenue	<i>\$ mill</i>	93.8	124.0
Interest income	<i>\$ mill</i>	6.0	4.6
Cost of sales	<i>\$ mill</i>	(75.6)	(114.3)
Impairment of ore inventories	<i>\$ mill</i>	-	(2.4)
<b>Gross profit/(loss)</b>	<i>\$ mill</i>	<b>24.2</b>	12.0
Admin and other expenses/income	<i>\$ mill</i>	(3.4)	(4.9)
Impairments (net of reversals)	<i>\$ mill</i>	(0.5)	(21.2)
Finance costs	<i>\$ mill</i>	(0.6)	(1.0)
<b>Profit/(loss) before tax from continuing operations</b>	<i>\$ mill</i>	<b>19.7</b>	(15.1)
Income tax benefit/(expense)	<i>\$ mill</i>	1.5	-
<b>Profit/(loss) after tax from continuing operations</b>	<i>\$ mill</i>	<b>21.2</b>	(15.1)
<b>Discontinued Operations (Tallering Peak):</b>			
Profit/(loss) after tax from discontinued operations	<i>\$ mill</i>	1.7	(0.3)
<b>Net profit/(loss) after tax</b>	<i>\$ mill</i>	<b>22.9</b>	(15.4)
<p><i>Note: Some totals may not add due to rounding.</i></p> <p><i>* Shown inclusive of the discontinued Tallering Peak operation. Refer the attached financial statements for further details.</i></p>			



### Sales Guidance:

- Group sales guidance increased to **3.2 - 3.5 Mwmt** in FY2016-17.
- Extension Hill and Iron Hill to contribute approximately **2.4 Mwmt** of standard product.
- Remainder to comprise mix of low margin sales of stockpiled low grade material.

### Cost Guidance:

- Average all-in group cash cost\* target reduced to **\$47-51/wmt** FOB, including all operating, capital, royalties and head office costs.
- Iron Hill site cash costs^ to be consistent with Extension Hill at **\$46-48/wmt** FOB.

\*All-in group cash costs are unaudited and reported FOB including all operating, capital, royalties and corporate costs.

^Site cash costs are reported FOB and include royalties and capex but are before corporate costs.

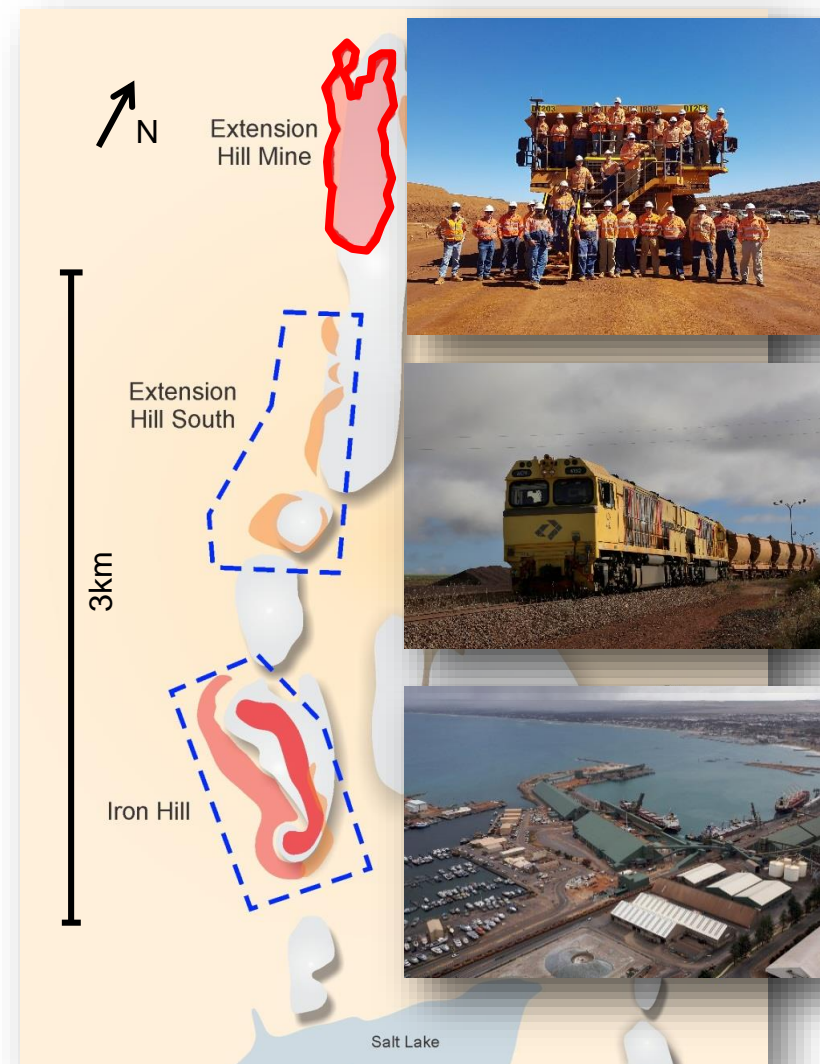
# Mid West

## Extension Hill and Iron Hill



- Extension Hill pit completed in November 2016, sales from stockpiles to continue into mid 2017.
- Development of Iron Hill Deposit, 3km south of Extension Hill pit, approved in February 2017.
- Negligible capital to be spent, utilises existing Extension Hill workforce, camp, mining, processing and transport infrastructure.
- Total Iron Hill life-of-mine sales of **5.5-6.0 Mwmt** until scheduled end of production in late 2018.
- Iron Hill sales to commence May 2017.
- Site cash costs<sup>^</sup> similar to Extension Hill's at **\$46-48/wmt** FOB.
- Group sales guidance of **3.2-3.5 Mwmt** in FY2016-17:
  - Approximately 2.4 Mwmt of standard Extension Hill/Iron Hill material.
  - Remainder from low-margin sales from existing low grade stockpiles at Extension Hill and Talling Peak.
- Iron Hill total Mineral Resource of **8.8 Mt @ 58.3% Fe\***.

<sup>^</sup>Site cash costs are reported FOB and include royalties and capex but are before corporate costs.



\*Refer slide 14 and ASX releases dated 31 August 2016 and 9 February 2017.

# Koolan Island

## Restart evaluation on track



- Operation placed on care and maintenance in June 2016 quarter.
- 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.
- Advanced detailed evaluation of the potential to rebuild seawall and restart Main Pit operations.
- High grade Main Deposit\* offers significant future production potential.
- Targeting significant reduction in average strip ratio (3:1 or less), and higher average product grade (+62% Fe).



- Referral documents submitted to Commonwealth Department of Energy and Environment January 2017.
- Technical and financial evaluation of restart options on track with determination whether to proceed expected in the March 2017 quarter.

\* Refer Slide 14 and ASX releases dated 17 and 31 August 2016.



# Key Business Objectives



- **Mid West** – complete development of the Iron Hill deposit to commence sales in the June 2017 quarter, and maximise sales/cashflow from operations and low grade stockpiles.
- **Koolan Island** – maintain the site on care and maintenance and complete assessment of the viability of a production restart.
- **Koolan Island seawall insurance** – progress and finalise the business interruption claim.
- **Cost Reduction** – continue to drive sustainable cost improvements.
- **Treasury Returns** – seek to further optimise the yield on cash reserves.
- **Growth Projects** – continue to seek business development opportunities in the resource sector.

# Looking to the future



## Longer Term:

Continue to seek out opportunities that leverage our strengths to provide value creation for MGX shareholders:

### *What strengths differentiate MGX?*

- Iron Hill mine extends life of the Mid-West operations to late 2018.
- A premier potential high-grade iron ore opportunity at Koolan Island\*.
- Robust balance sheet provides leverage and flexibility.
- Proven cost reduction capability – Extension Hill all-in site cash costs<sup>^</sup> reduced 23% over last three years to \$46/wmt FOB in 1H 2016-17.
- Proven ability to generate positive operating cashflow in a volatile price environment.
- Focused team with a broad range of operating and corporate experience.

\*Refer mineral resources details on slide 14 and ASX release dated 31 August 2016.

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

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## Koolan Island

- Site placed on care and maintenance in the June 2016 quarter.
- Business Interruption component of insurance claim progressing.
- Main Pit seawall rebuild evaluation on track for completion in March 2017 quarter.

## Mid-West Region

Extension Hill and Iron Hill

- Mining completed in the Extension Hill pit in November 2016, with stockpile sales to extend into mid 2017.
- Iron Hill development approved and underway to extend the life of the Mid-West operations to late 2018.
- Total Iron Hill life-of-mine sales of 5.5-6.0 Mwmt projected until planned end of production in late 2018.
- Iron Hill total Mineral Resource 8.8Mt @ 58.3%\*.

\*Refer slide 14 and ASX release dated 31 August 2016.

# Supplementary Information

## Cost of sales & cash costs



<b>Mount Gibson Iron Limited</b>		<b>Half-Year</b>	<b>Half-Year</b>
<b>Reconciliation of Cost of Sales to Cash Cost Information</b>		<b>ended</b>	<b>ended</b>
		<b>31-Dec-16</b>	<b>31-Dec-15</b>
<b><u>Extension Hill</u></b>			
Cost of sales (excluding impairment & reversals)	\$'000	\$70,323	\$82,722
Depreciation & amortisation	\$'000	\$(1,401)	\$(5,434)
Ore inventory movements & other cash/non-cash adjustments	\$'000	\$(1,219)	\$8,832
Site cash cost	\$'000	\$67,703	\$86,120
Iron ore sold	'000 wmt	1,486	1,768
Cost of sales (rounded)	\$ / wmt sold	\$47	\$47
<b>Site cash cost (rounded)</b>	<b>\$ / wmt sold</b>	<b>\$46</b>	<b>\$49</b>
<b><u>Group</u></b>			
Cost of sales - continuing operations (Extension Hill & Koolan Island)	\$'000	\$75,620	\$114,314
Cost of sales - discontinued operations (Tallering Peak)	\$'000	\$8,183	\$0
Cost of sales - all operations	\$'000	\$83,803	\$114,314
Depreciation & amortisation	\$'000	\$(3,275)	\$(8,329)
Corporate expenses	\$'000	\$8,401	\$8,714
Ore inventory movements & other cash/non-cash adjustments	\$'000	\$(3,731)	\$12,445
All-in Group cash cost	\$'000	\$85,198	\$127,144
Iron ore sold - continuing & discontinued operations	'000 wmt	1,783	2,582
Cost of sales - continuing & discontinued operations (rounded)	\$ / wmt sold	\$47	\$44
<b>All-in Group cash cost (rounded)</b>	<b>\$ / wmt sold</b>	<b>\$48</b>	<b>\$49</b>

# Supplementary Information

## Mineral Resources & Ore Reserves at 30 June 2016



<b>Koolan Island</b> (includes Main Deposit)	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	7.69	59.1	13.53	1.16	0.018
Indicated	41.93	64.4	6.36	0.76	0.014
Inferred	10.89	60.2	12.48	0.79	0.015
<b>Total</b>	<b>60.51</b>	<b>63.0</b>	<b>8.38</b>	<b>0.82</b>	<b>0.015</b>
<b>Extension Hill</b>	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	2.10	56.7	8.13	2.41	0.077
Indicated	0.34	57.3	10.31	1.60	0.072
Inferred	0.20	56.6	10.49	1.66	0.055
<b>Total</b>	<b>2.64</b>	<b>56.8</b>	<b>8.59</b>	<b>2.25</b>	<b>0.076</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	1.10	58.0	7.09	2.10	0.088
Probable	0.05	56.8	9.87	1.91	0.087
<b>Total</b>	<b>1.15</b>	<b>58.0</b>	<b>7.21</b>	<b>2.09</b>	<b>0.088</b>
<b>Iron Hill</b>	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
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>
<b>Tallering Peak</b>	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>
<b>Shine</b>	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>
<b>NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages are estimated as dry tonnages.</b>					

<b>Koolan Island</b> <b>Main Deposit</b>	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources, above 50% Fe</b>					
Measured	2.97	60.1	13.45	0.34	0.007
Indicated	33.51	65.7	4.61	0.67	0.011
Inferred	5.41	61.4	10.96	0.77	0.010
<b>Total</b>	<b>41.90</b>	<b>64.8</b>	<b>6.06</b>	<b>0.66</b>	<b>0.011</b>
<b>Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</b>					

<b>Total Group Mineral Resources and Ore Reserves at 30 June 2016</b>					
(above 50% Fe)	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources</b>	<b>89.5</b>	<b>61.4</b>	<b>8.67</b>	<b>1.08</b>	<b>0.032</b>
<b>Ore Reserves</b>	<b>1.2</b>	<b>58.0</b>	<b>7.21</b>	<b>2.09</b>	<b>0.088</b>
<b>NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</b>					

### Attributions

The information in this report relating to the Mineral Resources for the Koolan Island, Extension Hill, Iron Hill, and Tallering Peak and Shine deposits 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 and a member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is now a consultant to, Mount Gibson Iron Limited, 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'. Ms 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 information in this report relating to Ore Reserves at Extension Hill 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. Mr Salmon was a full-time employee of Mount Gibson Iron Limited. Mr 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'. Mr 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 release dated 31 August 2016.