

FY2016-17 Financial Results



MGX

Investor Presentation
16 August 2017

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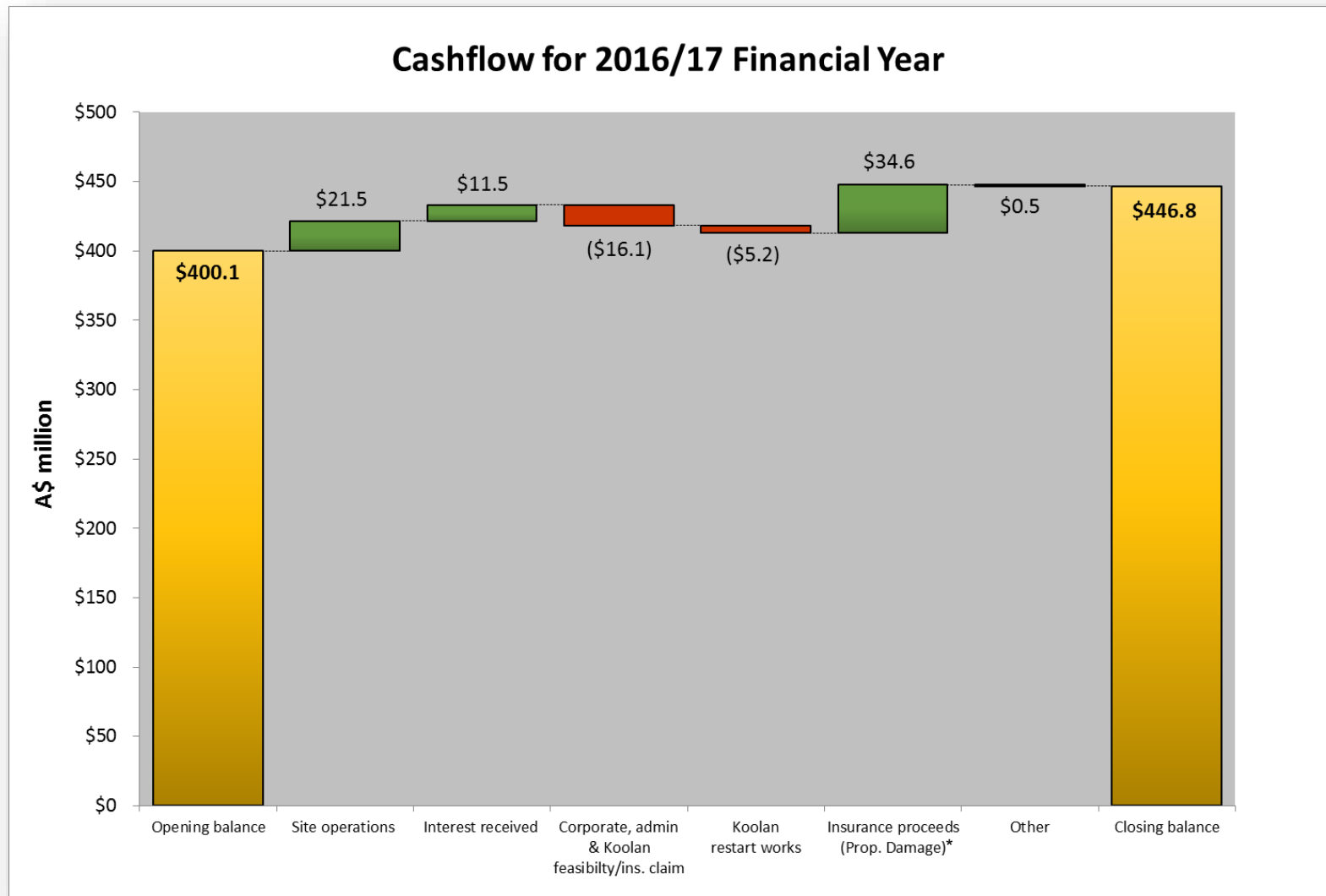
(All figures are expressed in Australian dollars unless stated otherwise)

- Total product sales **3.2 Mwmt***.
- Total sales revenue of **\$173 million** including the discontinued Tallering Peak operation.
- Gross profit before tax from continuing operations of **\$36.5 million**.
- Net profit after tax of **\$26.3 million**.
- Cash, term deposits and liquid investments of **\$447 million** at EOFY 2017, up \$47 million over the year and excludes \$64 million Koolan insurance payment received in July 2017.
- All-in group cash costs** of **\$52/wmt** FOB including net inventory build.
- Iron Hill mine approved, first ore sales achieved in June 2017.
- High-grade Koolan Island Mine Restart Project commenced first ore sales early 2019.
- Sales guidance for 2017-18 of **3.5–3.8 Mwmt** at all-in group cash cost** of **\$47-52/wmt FOB**.
- Fully franked final dividend of **2.0 cents per share**.

* Million wet metric tonnes.

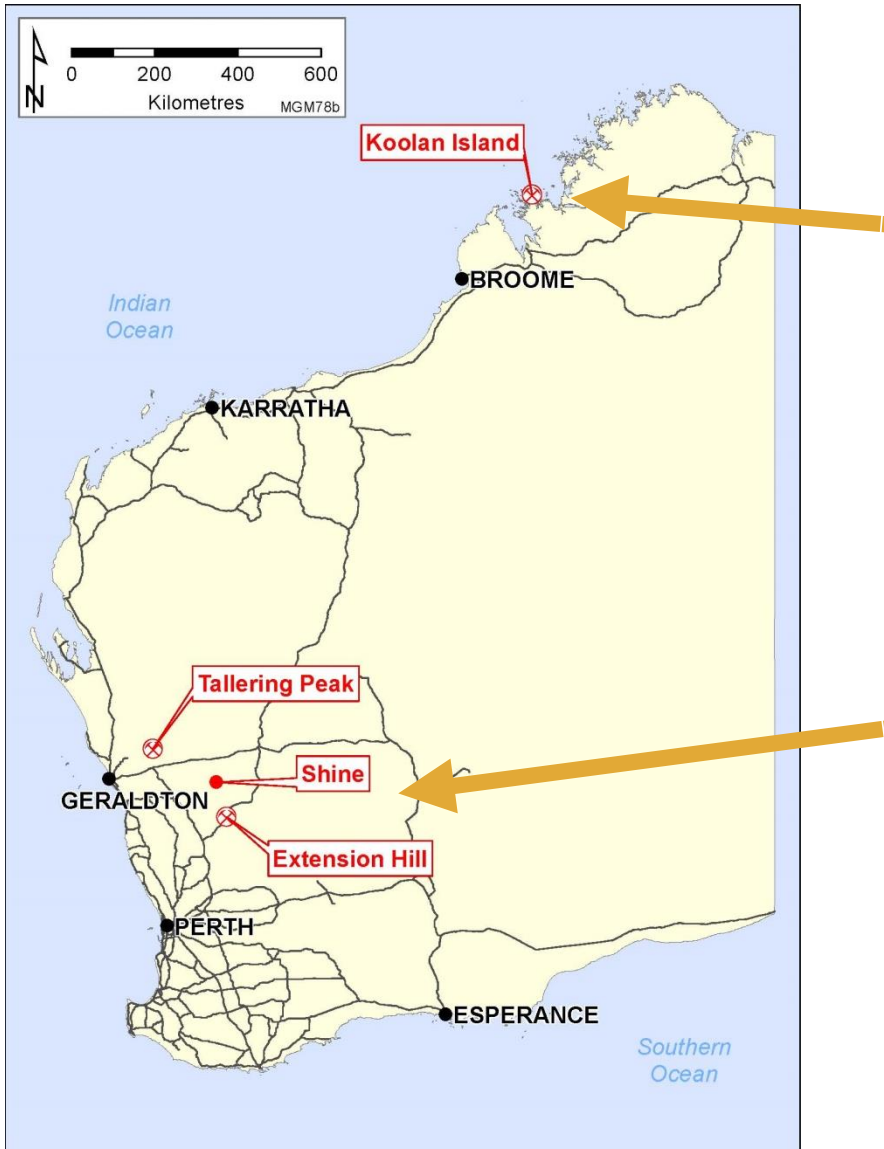
**All-in group cash costs are reported FOB and include all operating, capital, royalties and corporate costs, excluding development capital related to the Koolan Island restart project.

Group Summary Results		Year ended 30 June 2017	Year ended 30 June 2016
Physicals (continuing & discontinued operations):			
Ore tonnes mined	<i>M wmt</i>	1.9	6.0
Ore tonnes sold	<i>M wmt</i>	3.2	5.0
Revenue (continuing & discontinued operations):			
Average realised price, all products (FOB)	<i>\$/wmt</i>	54.7	48.4
Consolidated sales revenue	<i>\$m</i>	173.1	240.5
Continuing Operations (Extension Hill & Koolan Island):			
Sales revenue	<i>\$m</i>	162.0	235.2
Interest income	<i>\$m</i>	12.1	9.7
Cost of goods sold	<i>\$m</i>	(134.5)	(213.7)
Impairment write-back/(loss) on ore inventories	<i>\$m</i>	(3.1)	3.4
Gross profit/(loss) from continuing operations	<i>\$m</i>	36.5	34.6
Administration and other expenses	<i>\$m</i>	(22.1)	(19.4)
Finance costs	<i>\$m</i>	(1.1)	(1.8)
Underlying gross profit/(loss)* from continuing operations after administration and finance costs	<i>\$m</i>	13.3	13.4
Other income (including Koolan Island property damage insurance settlement in 2015/16)	<i>\$m</i>	5.9	91.8
Other impairment write-back/(loss)	<i>\$m</i>	5.0	(25.7)
Profit/(loss) before tax from continuing operations	<i>\$m</i>	24.2	79.5
Income tax benefit	<i>\$m</i>	1.5	0.8
Profit/(loss) after tax from continuing operations	<i>\$m</i>	25.6	80.3
Discontinued Operations (Tallering Peak):			
Sales revenue	<i>\$m</i>	11.1	5.3
Cost of goods sold	<i>\$m</i>	(13.7)	(6.2)
Impairment write-back on ore inventories	<i>\$m</i>	3.4	6.8
Profit/(loss) after tax from discontinued operations	<i>\$m</i>	0.7	6.0
Net profit/(loss) after tax	<i>\$m</i>	26.3	86.3
Totals may not add due to rounding.			
* 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.			



* Excludes \$64.3 million proceeds from the Koolan seawall business interruption claim settlement agreed and received in July 2017.

Mount Gibson Iron Business overview



Koolan Island

- Koolan Island Restart Project approved April 2017.
- Development capex \$97m.
- Stage One Ore Reserves 12.8Mt @ 66% Fe*.
- Material site works commenced June 2017.
- First ore sales targeted for early 2019.

Mid-West Region

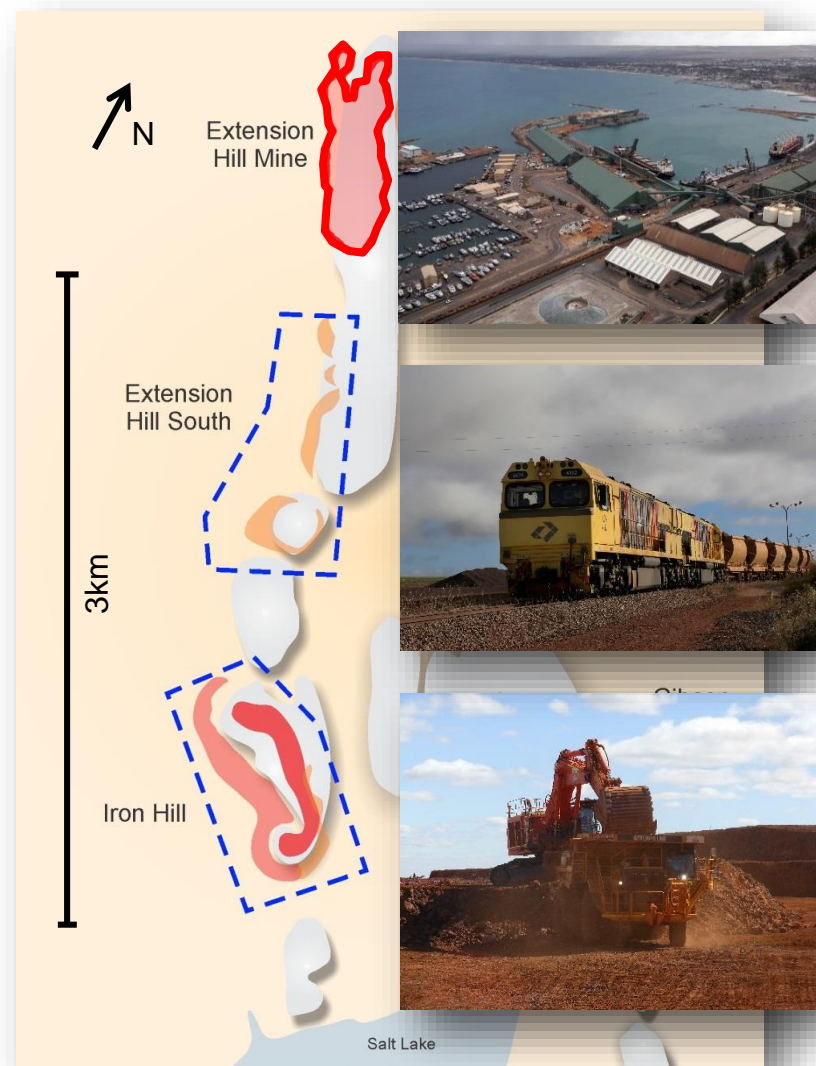
Extension Hill and Iron Hill

- Mining completed in the Extension Hill pit in November 2016, stockpile sales continued into mid 2017.
- Iron Hill mine developed to extend life of the Mid-West operations to late 2018, sales commenced June 2017.
- Total Iron Hill life-of-mine sales of 5.5-6.0 Mwmmt projected until planned end of production in late 2018.
- Iron Hill total Mineral Resource 8.8Mt @ 58.3% Fe^.

*Refer ASX release dated 27 April 2017.

^Refer ASX release dated 31 August 2016.

- Extension Hill pit completed in November 2016, sales from stockpiles have continued into mid 2017.
- Development of Iron Hill Deposit, 3km south of Extension Hill pit, approved in February 2017.
- Iron Hill sales commenced June 2017.
- Negligible capital investment, utilises existing Extension Hill workforce, camp, mining, processing and transport infrastructure.
- Total forecast Iron Hill life-of-mine sales of **5.5-6.0 Mwmt** until scheduled end of production in late 2018.
- Site cash costs[^] expected to be **\$42-46/wmt** FOB in 2017/18.
- Iron Hill total Mineral Resource of **8.8 Mt @ 58.3% Fe***.
- High lump yield (+55%).
- Lump expected to average +60% Fe, fines typically ~59% Fe.
- Current market conditions realising a discount of 10-15% for higher grade products and 30-40% for lower grade products.



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

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

- **Extension Hill/Iron Hill** - optimise Iron Hill production and costs.
- **Koolan Island** - successfully rebuild the Main Pit seawall, dewater the pit and prepare the site for commencement of commercial production, with initial ore sales anticipated in early 2019.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** - maintain the increased yield on the Group’s cash reserves.
- **Growth projects** - continuation of the search for business development opportunities in the resources sector.

Guidance for 2017/18

Iron ore sales	3.5-3.8 Mwmt
Site cash cost	\$42-46/wmt sold
All-in group cash cost (excl. Koolan capital)	\$47-52/wmt sold
Koolan capital spend	\$80-85 million

Koolan Island Mine Restart

A premier high grade iron ore opportunity



- One of the world's premier high grade hematite production opportunities.
- Stage 1 Main Pit Ore Reserves of 12.8Mt @ 66.0% Fe* and initial mine life of 3.5 years.
- Initial capex of \$97m including \$10m contingency.
- Robust economics using conservative Fe prices and FX assumptions*.
- 28 month payback from first ore sales, at 62% Fe CFR price of US\$55/dmt and A\$1.00/US\$0.75.
- First ore sales targeted to commence in early 2019.
- Potential Stage 2 Pit extension at east end of Main Pit, subject to further geotechnical work.



Koolan Island location and site layout showing Main Pit relative to existing site infrastructure, including crushing and port facilities, operations centre, accommodation camp and airstrip.

**Refer ASX release dated 27 April 2017 and slides at end of presentation.*

Koolan Island Mine Restart

An unrivalled high grade hematite deposit



Main Pit in 2014 showing consistency and width of high grade Main Deposit

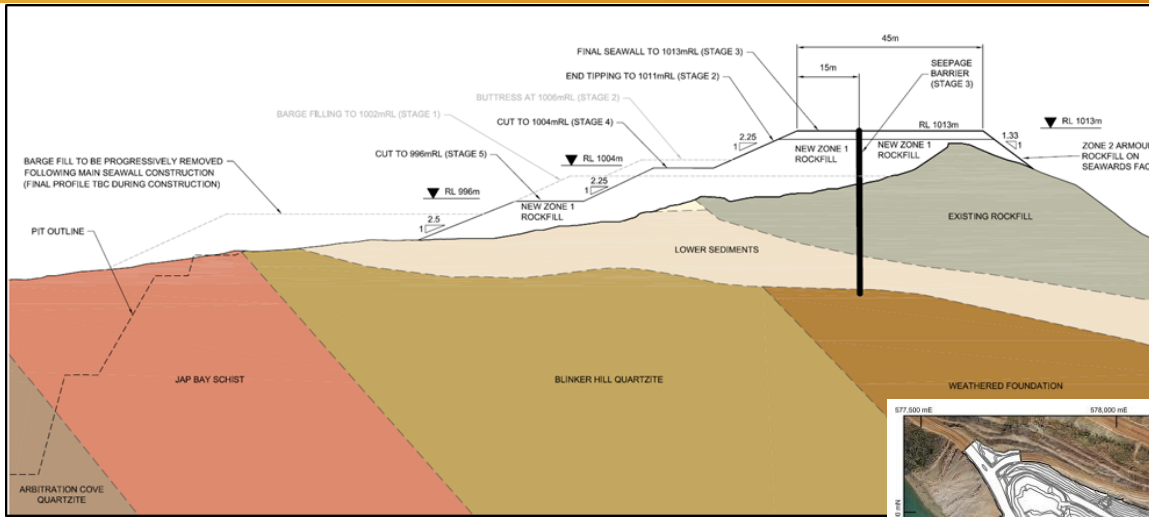


Main Deposit Mineral Resources					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	2.97	60.1	13.45	0.34	0.007
Indicated	33.51	65.7	4.61	0.67	0.011
Inferred	5.41	61.4	10.96	0.77	0.010
Total	41.90	64.8	6.06	0.66	0.011
Main Deposit Ore Reserves					
Mineral Reserves, above 50% Fe					
Proved	0.04	63.49	6.68	1.31	0.014
Probable	12.77	66.03	3.70	0.92	0.009
Total	12.82	66.02	3.71	0.93	0.009
<i>Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</i>					

- High grade hematite (66% Fe).
- Very low contaminants (P, Al).
- Well understood orebody, consistent grade and width.
- Well understood mining characteristics.
- High grade attracts a price premium – currently +10% for ores grading 65% Fe.
- Highly sought-after product.
- Life-of-Mine production committed under existing long term offtakes.
- Potential for Stage 2 Pit extension (~7Mt) subject to further geotechnical evaluation.

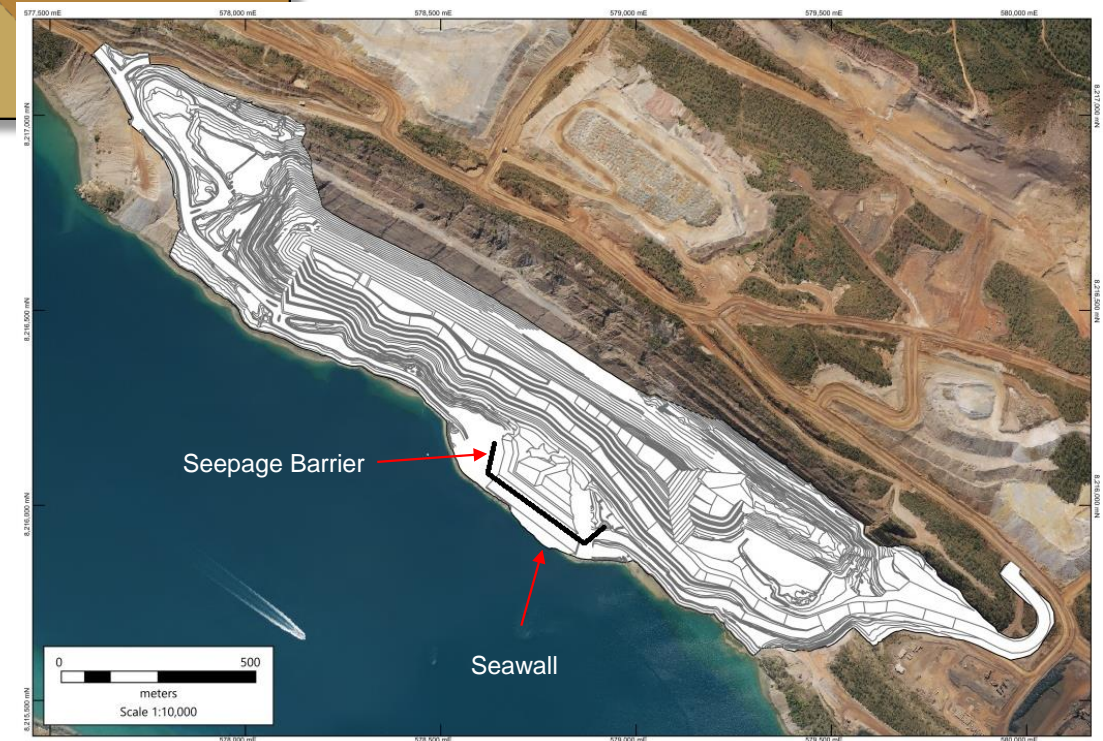
**Refer slide at end of presentation for Competent Persons information and ASX release dated 27 April 2017.*

Koolan Island Mine Restart Design and Cost

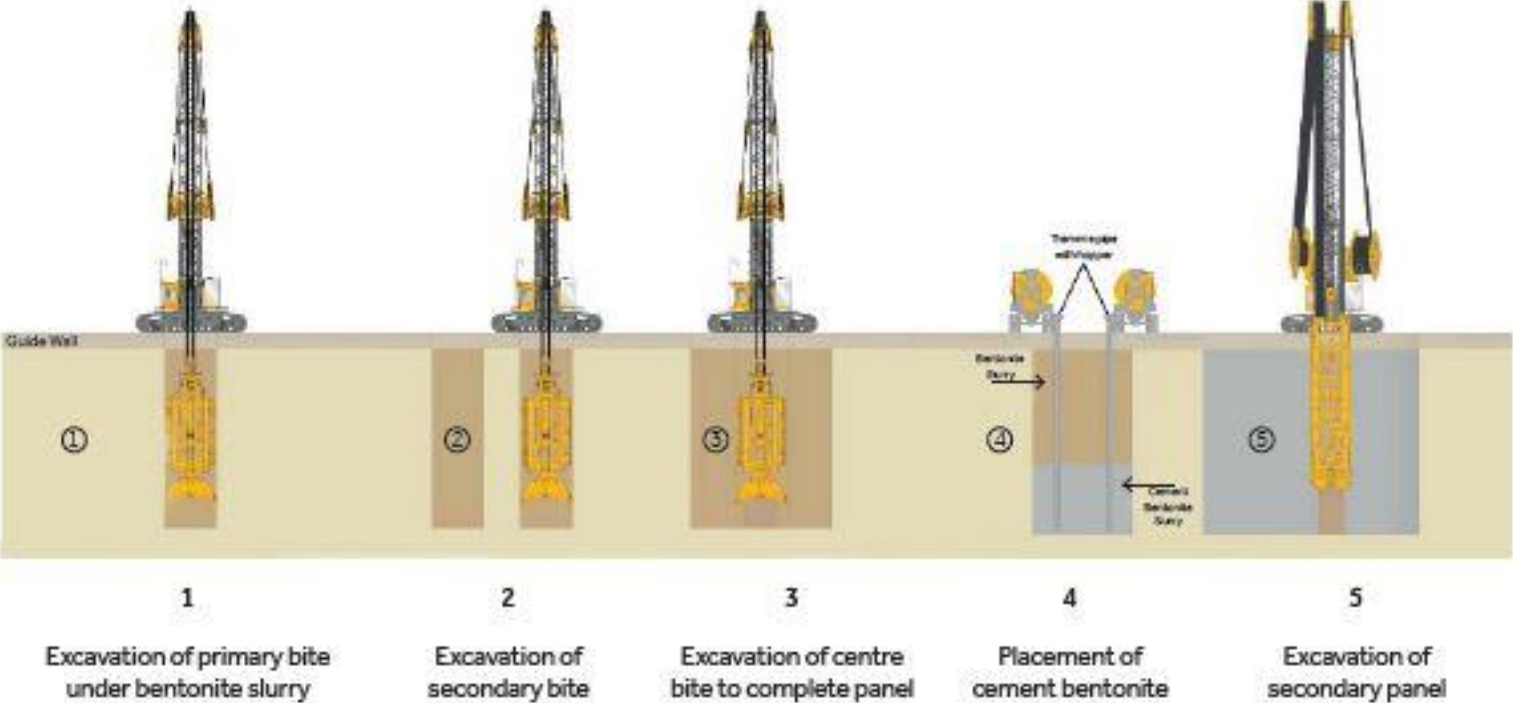
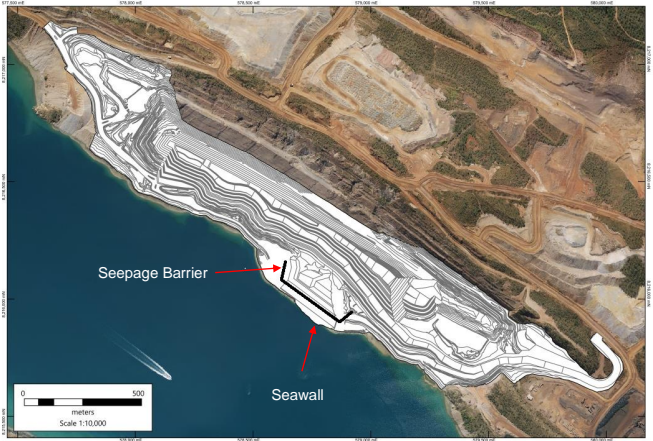


- Safe and viable seawall design and construction method confirmed and peer reviewed by independent engineering experts.
- Factor of Safety of 1.3 during operations.
- Seawall incorporates 467m cement bentonite seepage barrier.

Item	Cost (A\$M)
Seawall rebuild cost	54.1
Island costs	2.8
Dewatering	6.8
Pit rehabilitation	11.7
Contingency	9.8
Seawall Capex Subtotal	85.2
Mining and ancillary equipment	6.5
Other, including insurance	5.0
Total Capex	96.7



Koolan Island Mine Restart Seepage Barrier Construction



Koolan Island Mine Restart Project Schedule



- All necessary approvals in place to proceed.
- Embankment construction commenced June 2017.
- Dewatering targeted to commence in mid 2018.
- Mining targeted to commence December quarter 2018.
- 24 months from approval to production, first ore sales targeted for early 2019.
- Estimated payback 28 months from first ore sales.
- Stage 2 Pit evaluation targeted for completion within 12 months.



Task Name	2017			2018				2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Rock Fill Embankment Construction	█							
Seepage Barrier construction			█					
Dewatering & Footwall Rehabilitation					█			
Mining								█
First Sales Commencement								◆

Koolan Island Mine Restart

Work progressing to plan

- Embankment construction commenced June 2017.
- Seawall breach closed early August 2017.
- Drilling for instrumentation installation to commence August.
- Seepage barrier construction on track to commence in September.
- Dewatering scheduled to commence mid 2018.
- First ore sales targeted to commence in early 2019.
- Potential Stage 2 Pit extension at east end of Main Pit, subject to further geotechnical work.



Koolan Island Mine Restart

Robust financial metrics and low unit costs



Koolan Island	Stage One Pit	
62%Fe Iron Ore Price & FX Assumption	US\$55/dmt & A\$1.00/US\$0.75	US\$65/dmt & A\$1.00/US\$0.75
Pre-Tax NPV (8% real pre-tax)*	\$106 million	\$233 million
Pre-Tax IRR	34%	58%
Seawall and Other Start-Up Capital	\$96.7 million	\$96.7 million
Peak Cash Draw	\$145 million	\$142 million
Payback Period	28 months (from first ore sales)	22 months (from first ore sales)
Life of Mine Ore	12.8Mt	12.8Mt
Economic Life (to completion of sales)	41 months	41 months

	Year 1	Year 2	Year 3	Year 4	Total
Ore Mined (Mt)	2.4	3.4	7.1	-	12.8
Waste Mined (Mt)	15.2	14.3	8.8	-	38.3
Total Material Movement (Mt)	17.6	17.7	15.9	-	51.2
Strip Ratio	6.3	4.2	1.2	-	3.0
Ore Crushed (Mt)	2.4	3.0	5.4	2.1	12.8
Ore Shipped (Mt)	2.3	3.0	5.5	2.1	12.8
Fe Grade (%)	66.2	65.9	65.9	66.4	66.1
Average cash operating cost (excluding initial capex and closure) (A\$/wmt FOB)	67	54	33	19	42

Item	Unit	Unit Rate
Mining	Wmt of TMM	\$6.95
Crushing	Wmt crushed	\$4.17
Port	Wmt shipped	\$0.96

Robust IRR and NPV using conservative base case assumptions:*

- Est. **NPV of \$106m** and pre-tax **IRR of 34%** @ Platts 62% Fe of US\$55/dmt CFR, USD:AUD FX rate of 0.75.
- LOM all-in cash cost of **\$53/wmt FOB** (including capex and closure).
- LOM cash cost of **\$42/wmt FOB** (excluding capex and closure).
- Est. cash breakeven at **US\$46/dmt CFR** (Platts 62% Fe), including capex and closure costs.
- Est. NPV rises to **\$233m** with **IRR of 58%** at US\$65/dmt CFR (Platts 62% Fe).
- Every US\$1.00/dmt change in the Platts 62% Fe iron ore index impacts the NPV by approximately \$12m.

*All figures are expressed in Australian dollars unless stated otherwise. For supporting information, refer to ASX release dated 27 April 2017

- Iron Hill mine extends life of the Mid-West operations to late 2018.
- Koolan Island Restart Project is underway and represents a premier high-grade iron ore production opportunity with excellent financial returns and targeted to commence sales in early 2019.
- Robust balance sheet provides leverage and flexibility – cash reserves of \$447m at 30 June 2017, excluding \$64m insurance proceeds received in July 2017.
- Proven cost reduction and control capability.
- Proven ability to generate positive operating cashflow in a volatile price environment.
- Focused team with a broad range of operating and corporate experience.
- Continued focus on seeking opportunities that leverage our strengths to provide value creation for MGX shareholders.

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Supplementary Information

Cost of sales & cash costs



Mount Gibson Iron Limited		Year	Year
Reconciliation of Cost of Sales to Cash Cost Information		ended	ended
		30-Jun-17	30-Jun-16
Extension Hill (including Iron Hill)			
Cost of sales (excluding impairment & reversals)	\$'000	\$128,324	\$156,725
Depreciation & amortisation	\$'000	\$(2,373)	\$(7,068)
Ore inventory movements & other adjustments	\$'000	\$5,581	\$11,729
Site cash cost	\$'000	\$131,532	\$161,386
Iron ore sold			
	'000 wmt	2,751	3,382
Cost of sales (rounded)	\$ / wmt sold	\$47	\$46
Site cash cost (rounded)	\$ / wmt sold	\$48	\$48
Group			
Cost of sales - continuing operations (Extension Hill & Koolan Island)	\$'000	\$134,545	\$213,681
Cost of sales - discontinued operations (Tallering Peak)	\$'000	\$13,740	\$6,191
Cost of sales - all operations	\$'000	\$148,285	\$219,872
Depreciation & amortisation	\$'000	\$(5,440)	\$(12,292)
Corporate expenses (excluding non-cash items)	\$'000	\$17,389	\$17,466
Ore inventory build & other adjustments	\$'000	\$4,323	\$14,427
All-in Group cash cost (excl. Koolan restart capital)	\$'000	\$164,557	\$239,473
Iron ore sold - continuing & discontinued operations			
	'000 wmt	3,167	4,971
Cost of sales - continuing & discontinued operations (rounded)	\$ / wmt sold	\$47	\$44
All-in Group cash cost (rounded)	\$ / wmt sold	\$52	\$48

Supplementary Information

Koolan Island Main Deposit Mineral Resources and Ore Reserves at 26 April 2017*



Main Deposit Mineral Resources, above 50% Fe					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
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
Total	41.90	64.8	6.06	0.66	0.011
Main Deposit Ore Reserves, above 50% Fe					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Proved	0.04	63.49	6.68	1.31	0.014
Probable	12.77	66.03	3.70	0.92	0.009
Total	12.82	66.02	3.71	0.93	0.009
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Competent Persons Statements

Main Deposit Mineral Resources

The information in this report relating to the Mineral Resources of Main Deposit 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 and a member of the Australian Institute of Geoscientists. Ms Haren was 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.

Main Deposit Ore Reserves

The information in this report relating to Ore Reserves at Koolan Island is based on information compiled by Brett Morey, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Brett Morey is a full-time employee of Mount Gibson Iron Limited. Brett Morey 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'. Brett Morey 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 27 April 2017.

Supplementary Information

Iron Hill Mineral Resources at 30 June 2016*



Iron Hill Mineral Resources, above 50% Fe

	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Indicated	1.47	60.5	8.35	1.02	0.047
Inferred	7.33	57.9	8.65	1.74	0.069
Total	8.80	58.3	8.60	1.62	0.065

NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages are estimated as dry tonnages.

Competent Persons Statements

The information in this report relating to the Mineral Resources for the Iron Hill Deposit 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.

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