

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2018 12 April 2018

Key Points*

- Quarterly sales increased 16% to **1.0 million wet metric tonnes (Mwmt)**, for ore sales revenue of **\$60 million** Free on Board (FOB).
- Nine month ore sales totaled **2.7 Mwmt**, for sales revenue of **\$148 million** FOB.
- Cash and liquid investments of **\$470 million** at 31 March 2018, compared with \$477 million at the end of the prior quarter, after Koolan Island restart expenditure of \$24 million in the quarter.
- High grade Koolan Island Restart Project 57% complete at quarter end, on track for first ore sales in early 2019.
- Evaluation of potential pit extension at eastern end of Main Pit nearing completion.
- All-in group cash costs** of **\$45/wmt FOB**, a reduction of \$1/wmt from the prior quarter.
- No change to full year iron ore sales guidance for FY2018 of **3.5-3.8 Mwmt**, at average all-in group cash cost** of **\$45-50/wmt**.
- Net profit after tax of \$80.0 million reported for the December 2017 Half Year.
- Iron Hill Offtake agreement approved by shareholders

*Sales revenue and cost figures are unaudited. All figures are presented in Australian dollars unless stated otherwise.

**All-in group cash costs are reported FOB and include cash operating costs, royalties, sustaining capital expenditure and corporate costs, excluding Koolan Island restart expenditure.

Comment

Mount Gibson Chief Executive Officer, Jim Beyer, said: "A pleasing operational performance in the Mid West and steady progress at the high grade Koolan Island Restart Project in the Kimberley have underpinned another healthy result for Mount Gibson in the March Quarter.

"Total iron ore sales rose by over 16% quarter-on-quarter, while the Koolan Island Restart Project progressed to be 57% complete at the end of March despite several weather-related interruptions. Operational cashflow from the Mid West operations remained solid, partially offsetting our ongoing investment at Koolan Island, with cash and liquid investment reserves totalling \$470 million at the end of March.

"Our operational focus remains on maximising sales and cashflow from Iron Hill where mining is scheduled for completion later this year whilst also progressing work at Koolan Island which remains on track to achieve first sales in the March 2019 quarter. We are also in the final stages of our evaluation of the potential for an extension at the eastern end of Main Pit and are on schedule to make our final decision during the current quarter.

"The heavy structural discounting of lower grade ores, which continues to impact the financial performance of our current operations, and the corresponding lift in the premium for high grade ores underlines the substantial benefit we can expect when our high grade Koolan Island project commences sales. Together with our robust balance sheet, this provides us with an excellent platform from which to build long term value for our shareholders."

PERFORMANCE AT A GLANCE

	Unit	Mar-2017 Quarter	Jun-2017 Quarter	Sep-2017 Quarter	Dec-2017 Quarter	Mar-2018 Quarter	2017/18 YTD
Standard DSO product sales	kwmt	357	300	659	781	917	<i>2,358</i>
Low Grade material sales [^]	kwmt	425	303	181	60	59	<i>301</i>
Total Ore Sales	kwmt	782	603	841	841	977	<i>2,658</i>
Ave. Platts 62%Fe CFR price	US\$/dmt	86	63	71	66	74	<i>70</i>
MGX FOB Ave. realised fines price [#]	US\$/dmt	46	na [*]	34	24	35	<i>32</i>
<p>Minor discrepancies may occur due to rounding. [*]No fines material was sold during the June 2017 quarter. [^]Refers to spot sales from crushed low grade material at the Extension Hill mine site and, in previous quarters, at the now-closed Talling Peak mine site. [#]Mount Gibson's realised FOB fines price includes standard DSO product from Extension Hill/Iron Hill only, after adjustments for shipping freight, grade, provisional invoicing adjustments and penalties for impurities. kwmt = thousand wet metric tonnes. US\$/dmt = USD per dry metric tonne.</p>							

OPERATIONS

Ore sales totalled 977,000 wmt in the March quarter, all from the Company's Mid West operations. Sales comprised 492,000 wmt of standard DSO (Direct Shipping Ore) lump and 426,000 wmt of standard DSO fines from the Iron Hill mine, and 59,000 wmt of low grade lump material from stockpiles at Extension Hill. Combined ore sales for the nine months to the end of March totalled 2.7 Mwmt.

Operating statistics are tabulated in Appendix A.

Mid West Operations – Extension Hill/Iron Hill

The primary focus of activity during the quarter remained on optimising production from Iron Hill, 3km south of the depleted Extension Hill pit. The operation is now at full capacity, following the addition of a third daily train service in November 2017, with mining scheduled to conclude late in calendar 2018.

Sales of DSO lump and fines from Iron Hill rose 17% compared with the prior quarter, with lump sales accounting for approximately 54% of DSO sales. An opportunistic sale of stockpiled low grade material from Extension Hill was completed in the period, while bad weather delayed departure of a second low grade cargo planned for the end of March to the first week of April.

Site cash costs¹ for Extension Hill/Iron Hill averaged \$41/wmt in the period, reduced from \$43/wmt in the prior quarter.

At the end of March, approximately 76,000 wmt of crushed high grade product was stockpiled at the mine. Stockpiles of uncrushed high grade Iron Hill material totalled 422,000 wmt and stockpiles of uncrushed lower grade material totalled 2.8 Mwmt grading 50-55% Fe. Crushed ore stockpiles at the Perenjori rail siding totalled approximately 196,000 wmt of high grade ore.

The average grade of Iron Hill DSO lump sold during the quarter was 60.8% Fe, and the average grade of the Iron Hill DSO fines sold in the period was 59.8% Fe.

Koolan Island

Site work activity at Koolan Island progressed during the period with the overall project 57% complete at the end of the quarter (refer Figure 1). Cash expenditure on the Koolan Island restart project totalled approximately \$24 million in the quarter, comprising construction expenditure of \$23 million and the purchase of capital equipment totalling \$1 million. Year to date expenditure on the Koolan restart project totals \$57 million and for the total project to date, which commenced in May 2017, totals \$62 million.

Activity in the quarter was focused on the seepage barrier component, which was also just over 50% complete at the end of March. Panel dig rates increased substantially in the quarter despite heavy rainfall and a number of interruptions related to adverse weather, including Cyclone Marcus and wet-season lightning. Seepage barrier

¹ Site cash costs are reported FOB and include royalties and sustaining capital expenditure, but are before corporate cost allocations.



activity has advanced from the eastern and western ends of the seawall embankment and is now largely concentrated in the central section of the embankment (refer Figure 2). Preparations for dewatering are planned to commence by the end of the current quarter.

The Project remains on track to achieve targeted first ore sales in the March 2019 quarter. Contingency provisions in the Project budget are currently considered to be sufficient to meet the bulk of expected additional costs. However, the Company continues to monitor both schedule and budget closely.

Evaluation of a potential pit extension at the eastern end of Main Pit is now in its final stages, with Mount Gibson on track to make a decision shortly.

Figure 1 – Koolan Island Restart Project Schedule and Progress

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

Progress achieved	
31-Mar-18	

CORPORATE²

Realised Pricing and Revenue

The March quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to northern China was US\$74 per dry metric tonne (dmt) compared with the US\$66/dmt average of the preceding quarter. The continued wide price differential between the Platts 58% Fe and Platts 62% Fe price indices remained a significant impact on revenue during the period, in particular for fines ore products.

DSO lump from Iron Hill accounted for approximately 54% of DSO products sold in the quarter, and achieved an average realised price of US\$64/dmt FOB after grade and provisional pricing adjustments and penalties for impurities. The average realised price achieved for Iron Hill fines sold during the quarter was US\$35/dmt FOB, reflecting the continued impact of discounts on material grading below 62% Fe. As noted previously, standard Iron Hill fines material presently grades circa 59-60% Fe and lump material is expected to average more than 60% Fe over the production life.

FOB ore sales revenue for all products totalled \$60 million in the March quarter, taking sales revenue for the nine months to the end of March to \$148 million.

Cash Position

The Company's cash and liquid investments totalled \$470 million at 31 March 2018, compared with \$477 million at 31 December 2017.

The change reflected positive operating cashflows from the Mid-West business of \$17 million (after interest revenue, corporate office costs and net working capital movements), net of Koolan Island cash expenditure of \$24 million. Koolan expenditure for the nine months to the end of March totalled \$57 million, in line with guidance and the project budget.

² Sales, cost and cash movement figures are unaudited.

Cost Performance and Group Sales Guidance

All-in group cash costs³ averaged \$45/wmt FOB compared with \$46/wmt FOB in the December quarter. As announced on 13 February 2018, the Company has lowered its cost guidance for the 2017-18 financial year to a range between \$45-50/wmt FOB. Sales guidance for the year remains unchanged at 3.5-3.8 Mwmt of ore.

Iron Hill Offtake Agreement

At a general meeting on 23 March 2018, shareholders approved a second offtake agreement with SCIT Trading Limited, a wholly-owned subsidiary of China's Shougang Concord International Enterprises Company Limited, for the sale of iron ore from Iron Hill.

Details regarding the agreement were reported in the Notice of Meeting released on 16 February 2018.

December 2017 Half Year Financial Results

On 13 February 2018, Mount Gibson reported a net profit after tax of \$80.0 million for the half-year ended 31 December 2017.

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Mount Gibson will host an analysts/institutions teleconference at **11.00am AEST (9.00am WST)** on **12 April 2018**. Investors will be able to listen in to the teleconference by dialling **1800 857 029** immediately prior to the scheduled start time and entering the access code **18314558#** at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1800 857 079 (Australian callers) or +613 8788 6028 (overseas callers).

³ All-in group cash costs are reported FOB and include cash operating costs, royalties, sustaining capital expenditure and corporate costs, excluding Koolan Island restart expenditure.

Koolan Island Restart Project Pictorial Update



Figure 2: Seawall embankment – March 2018



Figure 3: Seepage barrier construction, western embankment - March 2018



Figure 4: Vertical drain pad looking west across Main Pit to the footwall - March 2018



Figure 5: Panel excavation on night shift - March 2018



Figure 6: Grouting rigs on night shift – central embankment - March 2018

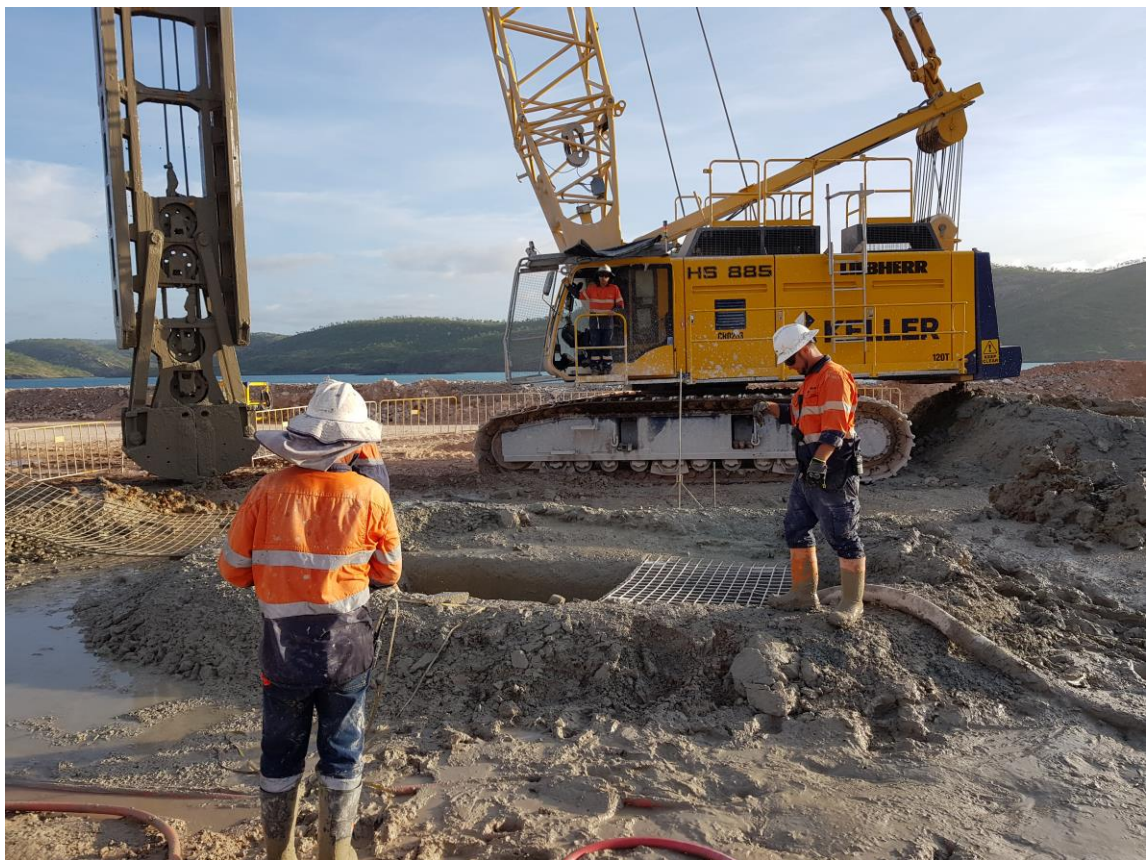


Figure 7: Pumping cement slurry into excavated panel slot – March 2018

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics by Site

	Mar-2017 Quarter	Jun-2017 Quarter	Sep-2017 Quarter	Dec-2017 Quarter	Mar-2018 Quarter	2017-18 YTD
EXTENSION/IRON HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	6	295	420	514	397	<i>1,331</i>
Standard ore mined	28	640	879	961	898	<i>2,738</i>
Low-grade ore mined [#]	21	142	225	151	97	<i>472</i>
Total ore mined	49	782	1,104	1,112	994	<i>3,210</i>
Ore crushed	915	876	821	742	953	<i>2,516</i>
Shipping/Sales						
Standard DSO Lump	180	300	294	481	492	<i>1,267</i>
Standard DSO Fines	176	-	366	300	426	<i>1,091</i>
Low Grade Lump	305	303	181	60	59	<i>301</i>
Total	662	603	841	841	977	<i>2,658</i>
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Shipping/Sales						
Low Grade Lump	-	-	-	-	-	-
Low Grade Fines	120	-	-	-	-	-
Total	120	-	-	-	-	-
CONSOLIDATED	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Total waste mined	6	295	420	514	397	<i>1,331</i>
Total ore mined	49	782	1,104	1,112	994	<i>3,210</i>
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Shipping/Sales						
Standard DSO Lump	180	300	294	481	492	<i>1,267</i>
Standard DSO Fines	176	-	366	300	426	<i>1,091</i>
Low Grade	425	303	181	60	59	<i>301</i>
Total	782	603	841	841	977	<i>2,658</i>

kwmt = thousand wet metric tonnes.

[#] Low-grade ore is material grading 50-55% Fe at Extension Hill considered to be saleable. This material has been stockpiled for future sale and is treated as mineralised waste for accounting purposes.

Minor discrepancies may appear due to rounding.