

**September Quarter 2018**



**MGX**

**Investor Update  
24 October 2018**

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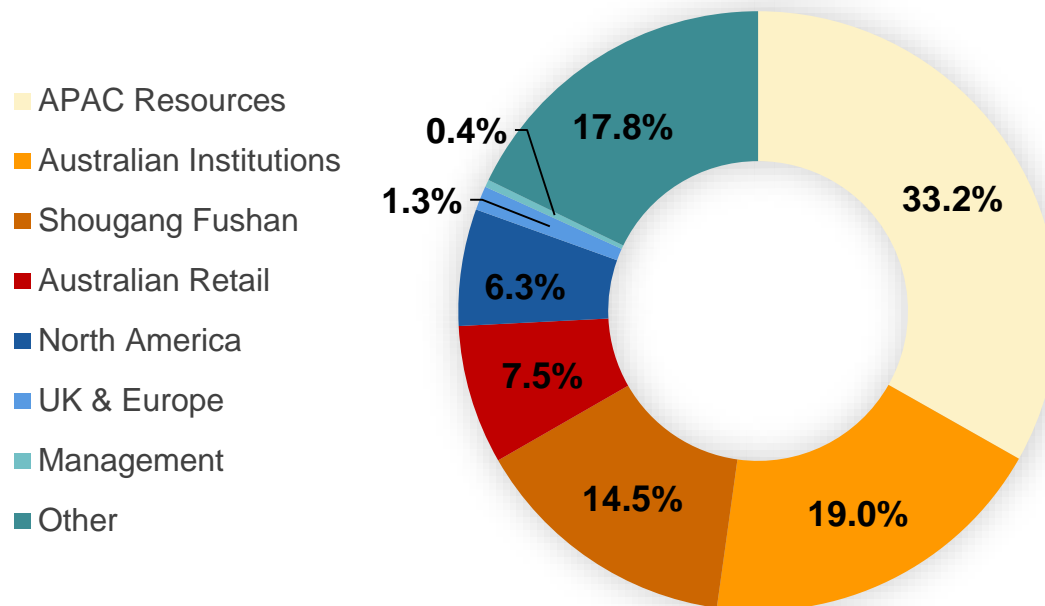
*Investments in MGX shares are considered highly speculative.*

# Mount Gibson Iron Corporate Overview



- Issued capital 1,128.4 million shares
- Market capitalisation A\$536 million (at \$0.475/share, 22 October 2018)
- Cash and investments A\$452 million (30 September 2018)
- Borrowings Nil (30 September 2018)
- Index ASX All Ordinaries

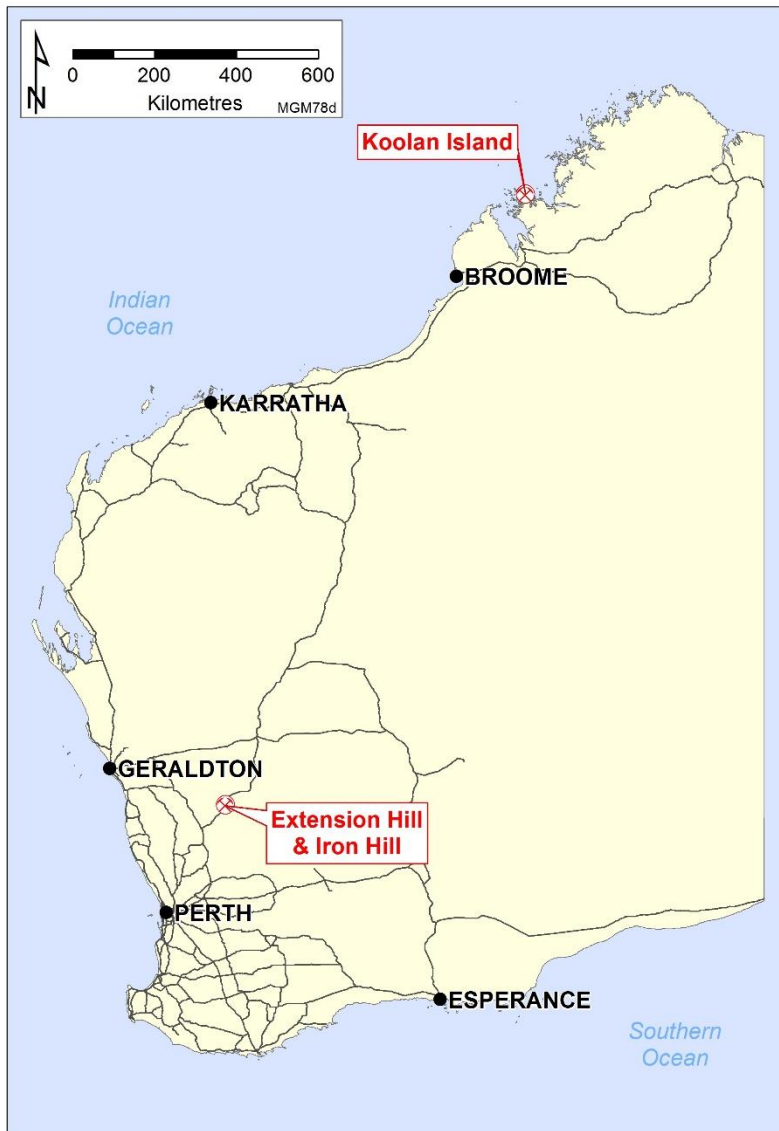
## Shareholder Distribution (% issued shares)



## Board and Management

- Lee Seng Hui – *Non-Executive Chairman*
- Simon Bird – *Independent Non-Executive Director*
- Russell Barwick – *Independent Non-Executive Director*
- Paul Douglas – *Independent Non-Executive Director*
- Alan Jones – *Independent Non-Executive Director*
- Li Shaofeng – *Non-Executive Director*
- Peter Kerr - *CEO*
- Gill Dobson - *CFO*
- Scott de Kruijff - *COO*
- David Stokes – *Co. Sec. & General Counsel*

# Mount Gibson Iron Business Overview



## Koolan Island

- Australia's highest grade DSO hematite mine provides direct exposure to increasing high grade premium.
- Ore Reserves upgraded to 21.0Mt @ 65.5% Fe.\*
- Seawall seepage barrier completed July 2018, dewatering progressing to plan.
- Project now +88% complete.
- On track for first ore sales by end of March 2019 Quarter.

## Mid-West Region

### Extension Hill & Iron Hill

- Iron Hill mine sales commenced June 2017, 3.2 Mwmt sold in FY2018.
- Planned DSO sales of 2.0-2.3 Mwmt in FY2019.
- Total Mid-West ore sales of 1.1 Mwmt in September 2018 Quarter.
- Mining on track for completion in late 2018, followed by final ore sales in early 2019.
- Right earned to a future income stream based on third party rail volumes, capped at ~\$35 million.

# September Quarter 2018

## Overview

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



- Quarterly product sales of **1.1 Mwmt\*** for revenue of **\$65 million** Free on Board (FOB).
- Underlying operating cashflow of **\$18 million** before Koolan Island restart expenditure of \$23 million in the quarter.
- Cash and liquid investments of **\$452 million** at 30 September 2018.
- All-in group cash costs\*\* of **\$40/wmt** FOB, and Mid West site cash costs of \$37/wmt FOB^.
- Mining at the Mid-West Iron Hill deposit scheduled for completion in late 2018, with ore sales to conclude in early 2019.
- High-grade Koolan Island Mine Restart Project +88% complete, on track to commence ore sales in late March 2019 Quarter.
- CEO transition from Jim Beyer to Peter Kerr completed.
- Sales guidance for 2018/19 of **2.7-3.3 Mwmt** at all-in group cash cost\*\* of **\$52-57/wmt FOB**.
- Net profit after tax of \$99.1 million announced for FY2017/18 including \$64.3 million insurance settlement proceeds.
- Fully franked final dividend for FY2017/18 of **3.0 cents per share** paid on 15 October 2018.

\* Million wet metric tonnes (Mwmt).

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

^Site cash costs are reported FOB and include royalties and sustaining capital.



# Mid-West

## Extension Hill & Iron Hill



- Forecast FY2019 Iron Hill DSO sales of **2.0-2.3 Mwmt** at projected site cash costs<sup>^</sup> of **\$38-42/wmt** FOB.
- Iron Hill sales of **1.1 Mwmt** at site cash cost of **\$37/wmt** FOB<sup>^</sup> in September 2018 Quarter.
- Mining on track for completion in late 2018, ore sales to conclude in early 2019, followed by transition to closure.
- Lump and fines average ~60% Fe.
- High lump yield (+50%).
- Current market conditions realising a grade-adjusted discount of 10-15% for higher grade products and 30-40% for lower grade products.
- Potential future refund of historical rail access charges now triggered, with amounts receivable once MGX ends railing, based on future volumes railed by third parties, capped at ~\$35 million.
- Total site closure and rehabilitation costs provisioned at ~\$15 million (including redundancy), with ~\$8 million to be spent during FY2019.



<sup>^</sup>Site cash costs are reported FOB and include royalties and sustaining capital.

# Koolan Island Mine Restart

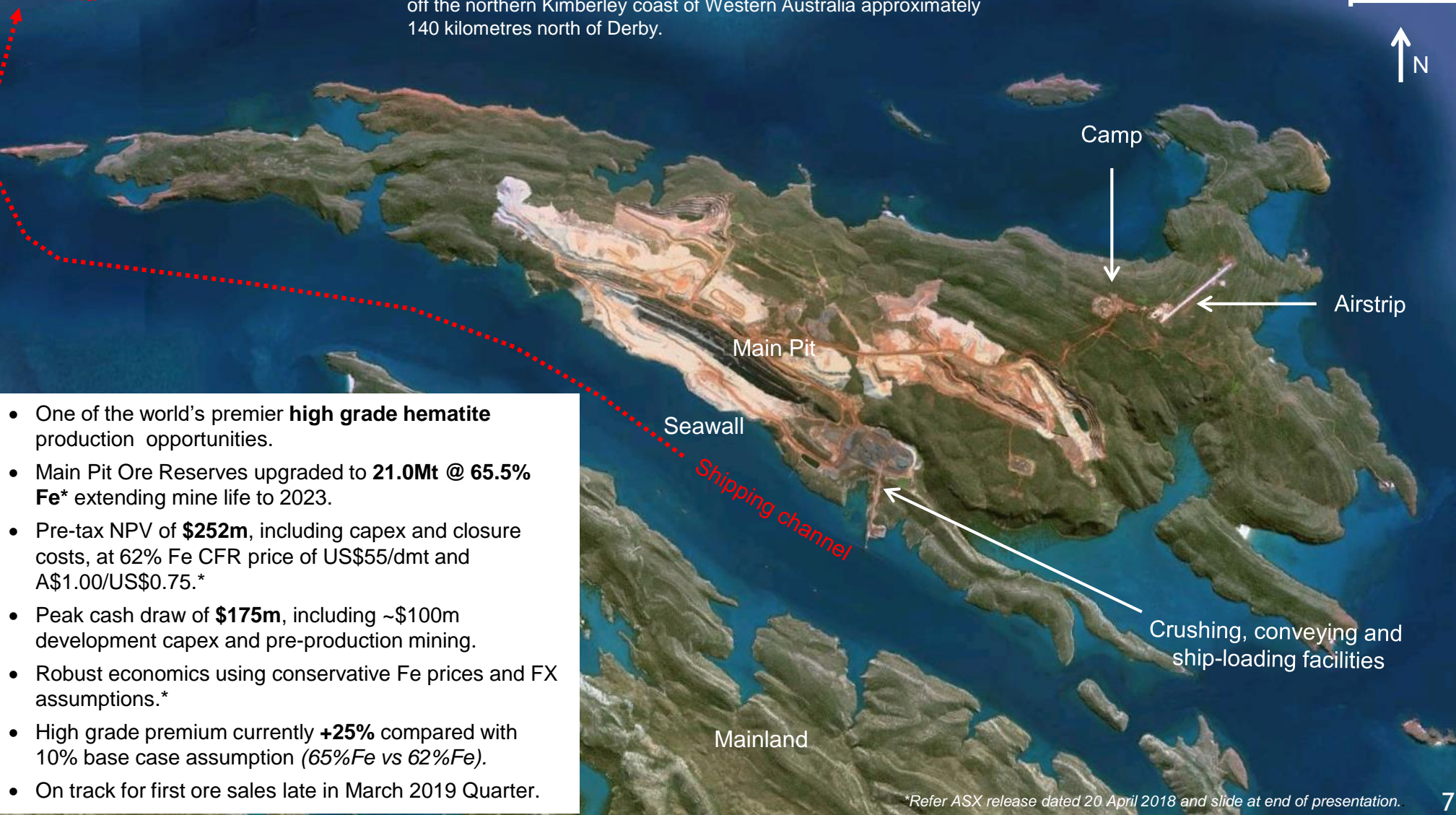
## A premier high grade iron ore opportunity



Koolan Island located in Yampi Sound in the Buccaneer Archipelago off the northern Kimberley coast of Western Australia approximately 140 kilometres north of Derby.



To China



- One of the world's premier **high grade hematite** production opportunities.
- Main Pit Ore Reserves upgraded to **21.0Mt @ 65.5% Fe\*** extending mine life to 2023.
- Pre-tax NPV of **\$252m**, including capex and closure costs, at 62% Fe CFR price of US\$55/dmt and A\$1.00/US\$0.75.\*
- Peak cash draw of **\$175m**, including ~\$100m development capex and pre-production mining.
- Robust economics using conservative Fe prices and FX assumptions.\*
- High grade premium currently **+25%** compared with 10% base case assumption (65%Fe vs 62%Fe).
- On track for first ore sales late in March 2019 Quarter.

*\*Refer ASX release dated 20 April 2018 and slide at end of presentation.*



# Koolan Island Mine Restart

## An unrivalled high grade hematite deposit



- High grade hematite (65.5% Fe).
- Very low contaminants (P, Al).
- Well understood orebody, consistent grade and width.
- Well understood mining characteristics.
- Ore Reserves upgraded April 2018, extending mine life to 2023.\*
- High grade attracts a price premium – currently +25% for ores grading 65% Fe compared with 10% base case assumption.
- Highly sought-after product.
- Life-of-Mine production committed under existing long term offtakes.

*\*Refer slide at end of presentation for Competent Person's information and ASX release dated 20 April 2018.*



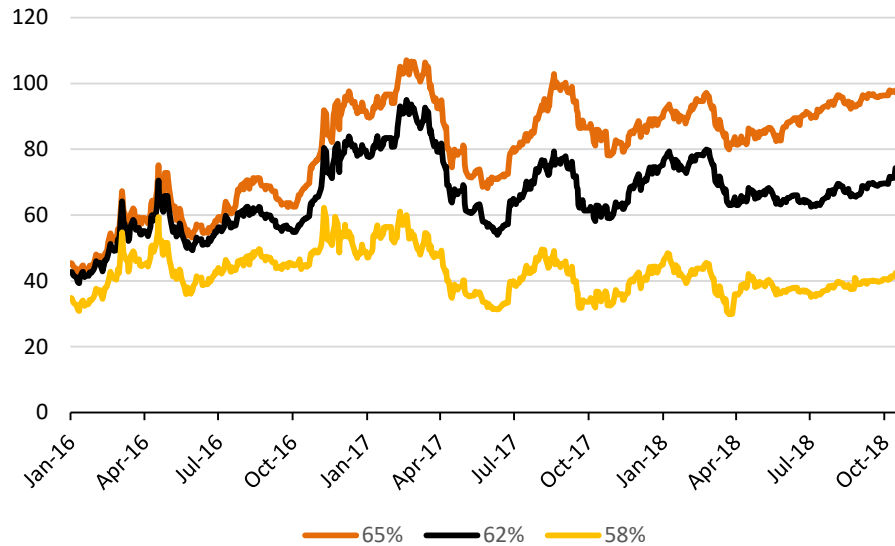


# Koolan Island Mine Restart

## High grade premium is a game changer



Iron Price (US\$/dmt CFR North China)



HG Premium / LG Discount  
(% per dmtu relative to 62% index)



### Koolan Island will be Australia's highest grade DSO hematite producer at a Ore Reserve Grade of 65.5% Fe\*:

- 65% Fe premium currently +25% per dry metric tonne unit (dmtu) of contained iron relative to 62% Fe price.
- Differential has widened since early 2016 - gap between 65% and 58% price now +100% (~US\$55/dmt).
- Structural change reflecting Chinese clampdown on airborne pollutants, transition to higher efficiency steel plants and steel makers seeking to maximise plant productivity and profit margins.
- Demand for high grade feedstock imports by Chinese mills has increased as domestic production has reduced.

\*For Ore Reserves information refer to slide at end of presentation and ASX release dated 20 April 2018.

# Koolan Island Mine Restart

## Forecast Operational Profile



Operating Year (from production commencement)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	21 Mt Total
Ore Mined (Mt)	2.9	1.9	5.1	7.4	4.0	-	21.3 <sup>#</sup>
Waste Mined (Mt)	19.1	20.5	16.3	8.8	2.7	-	67.5
Total Movement (Mt)	22.0	22.4	21.4	16.3	6.7	-	88.8
Strip Ratio	6.6	10.8	3.2	1.2	0.7	-	3.2
Ore Crushed (Mt)	2.5	2.3	4.6	5.4	5.4	1.1	21.3 <sup>#</sup>
Ore Shipped (Mt)	2.1	2.6	4.6	5.5	5.3	1.2	21.3 <sup>#</sup>
Fe Grade (%)	65.8%	65.6%	65.0%	65.8%	65.2%	65.8%	65.5%
A\$/wmt FOB cash operating cost*	76	68	41	34	28	17	41
<p><i>Discrepancies may appear due to rounding.</i></p> <p><i>Schedule is indicative only, and subject to ongoing optimization, actual mine performance, and prevailing market conditions.</i></p> <p><i>*Cash operating costs include operating expenditure, royalties, sustaining capital expenditure and corporate cost allocations.</i></p> <p><i>#Includes approximately 0.3Mt of Inferred Resources within the pit shell, representing &lt;1.5% of total anticipated production and which is not material to the viability of the Project.</i></p>							

**At base case assumptions:** (Platts 62% Fe of US\$55/dmt CFR, USD:AUD FX rate of 0.75, 10% high grade premium).

- Peak cash draw prior to cashflow of approximately **\$175m**, including development capex.
- Estimated payback period of 36 months from commencement of sales.
- Life of Mine (LOM) all-in cash cost of **\$48/wmt FOB** (including development capex and closure) and **\$41/wmt FOB** (excluding development capex and closure).
- Cash breakeven at **US\$40/dmt CFR** (Platts 62% Fe), including capex and closure costs.
- Cash costs progressively reduce in line with strip ratio.
- Estimated pre-tax NPV of **\$252m** and IRR of **37%**.
- Estimated pre-tax NPV rises to over **\$900m** with IRR over **90%** at current spot prices.  
(Platts 62% Fe of US\$75/dmt CFR, USD:AUD FX rate of 0.71 and high grade premium of 26%).

Note: All figures expressed in Australian dollars unless stated otherwise. For supporting information, refer to ASX release dated 20 April 2018.

# Koolan Island Mine Restart Project Schedule

- Project +88% complete overall.
- On track for first ore sales late in March 2019 Quarter.
- Seawall embankment construction commenced June 2017, completed September 2017.
- Concrete seepage barrier completed in July 2018.
- Dewatering and footwall refurbishment well underway – water level now down ~20 metres.
- Mining to commence in December 2018 Quarter.
- Projected high grade sales of 0.7-1.0 Mwmt in FY2019 as production commences ramp-up.



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

Progress achieved —————  
30-Sep-18 - - - - -

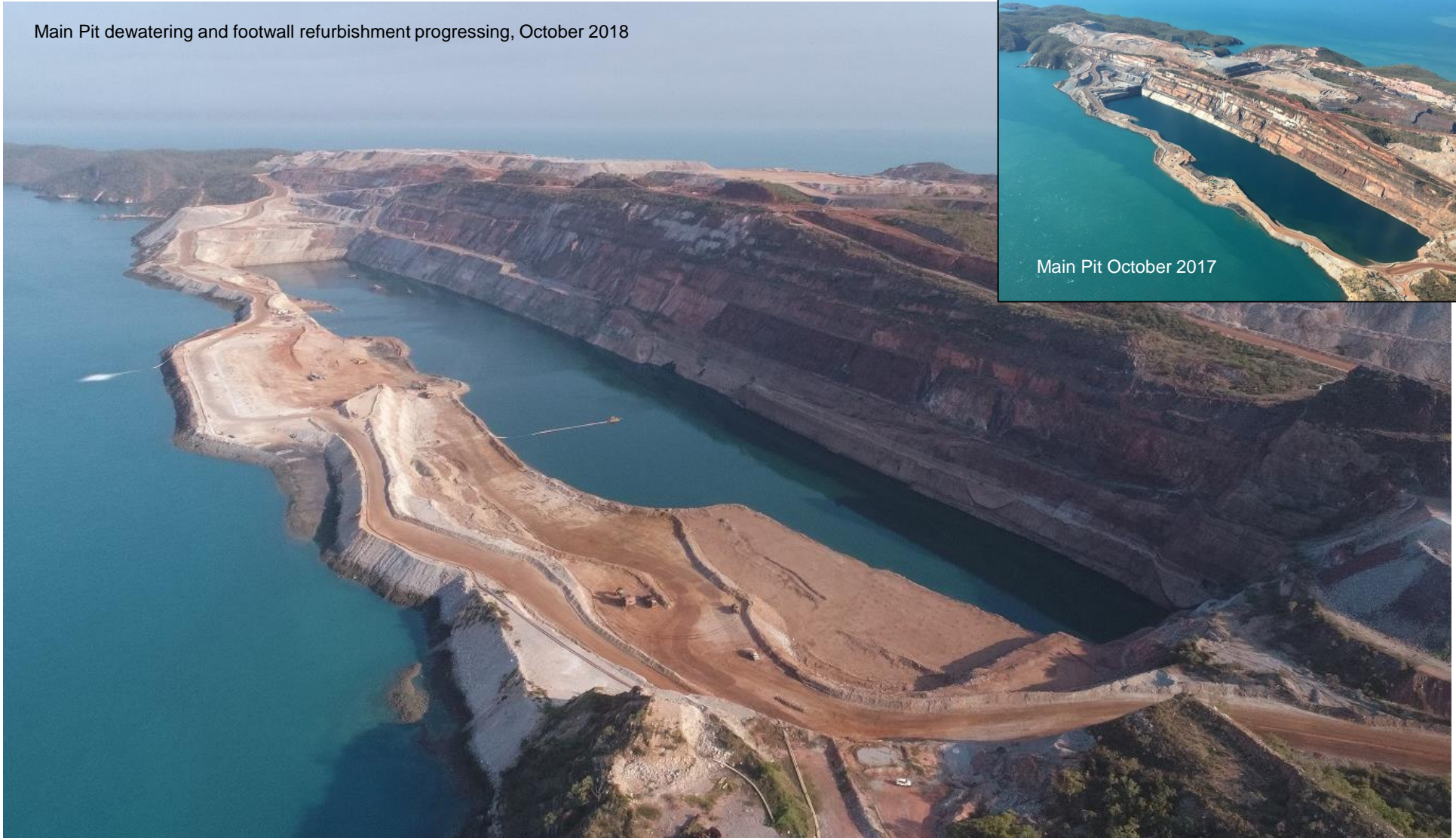


# Koolan Island Mine Restart

## Dewatering progressing to plan



Main Pit dewatering and footwall refurbishment progressing, October 2018



Main Pit October 2017



# Koolan Island Mine Restart

## Dewatering progressing to plan



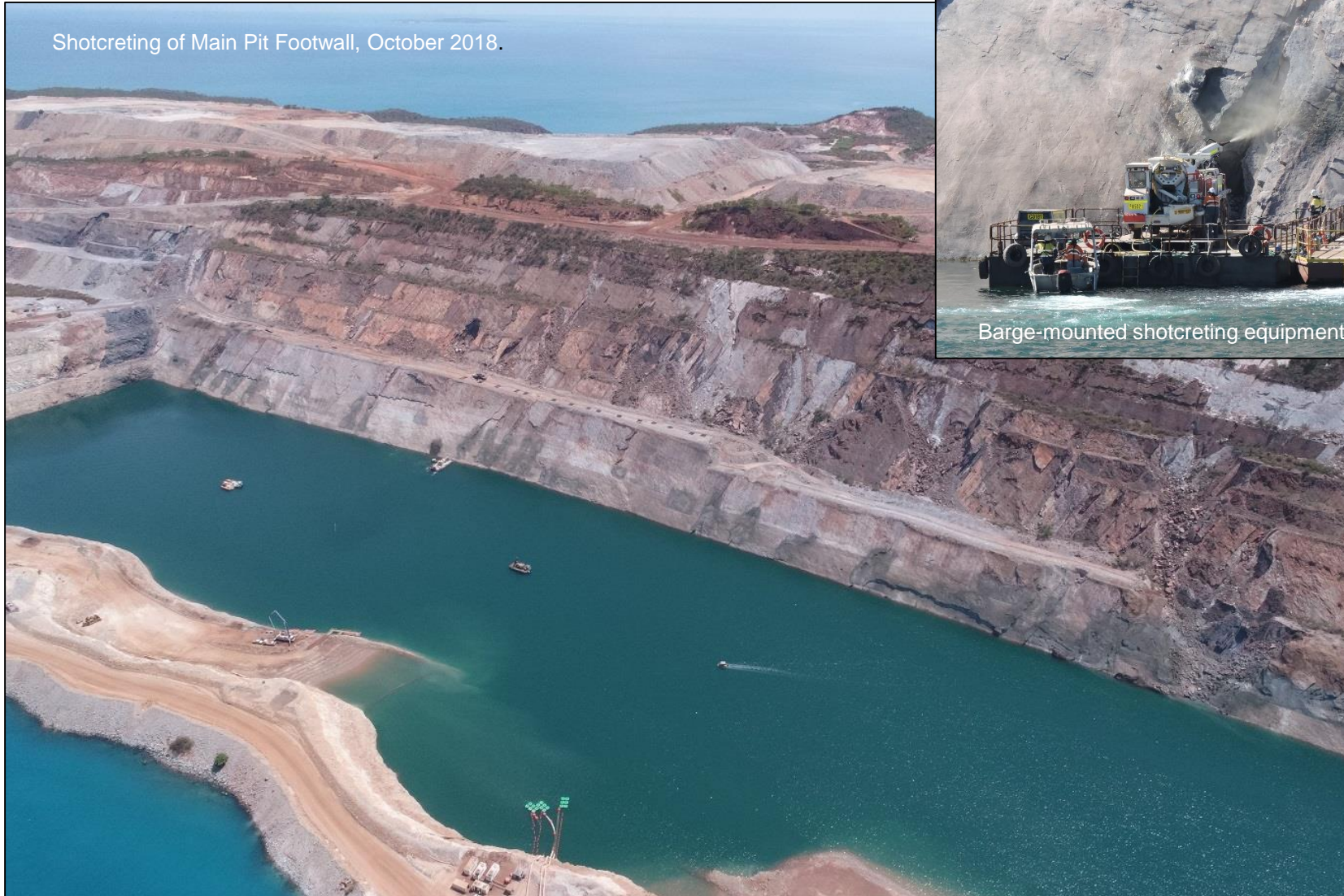
Re-profiling of central inner seawall, looking west, October 2018





# Koolan Island Mine Restart

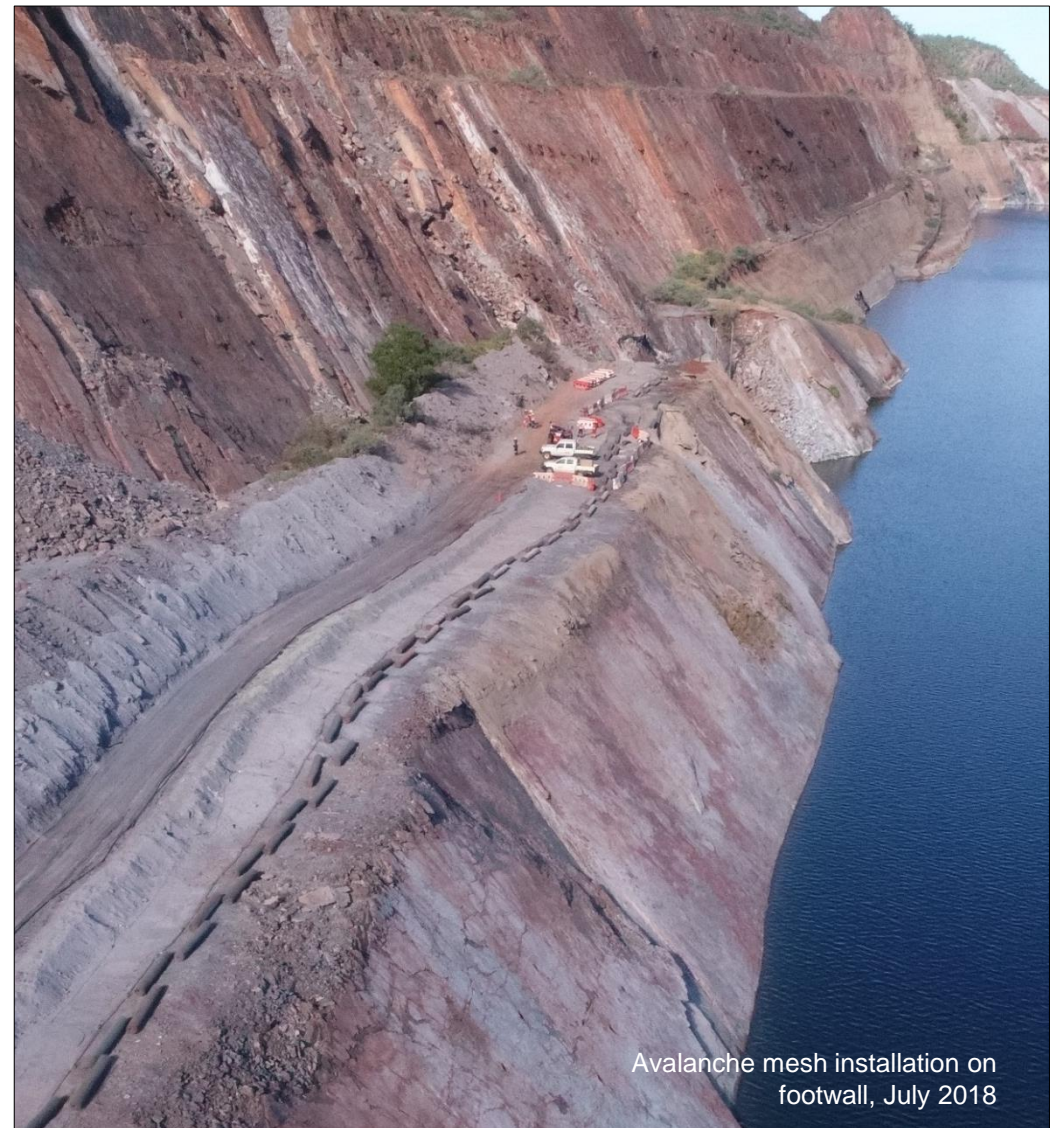
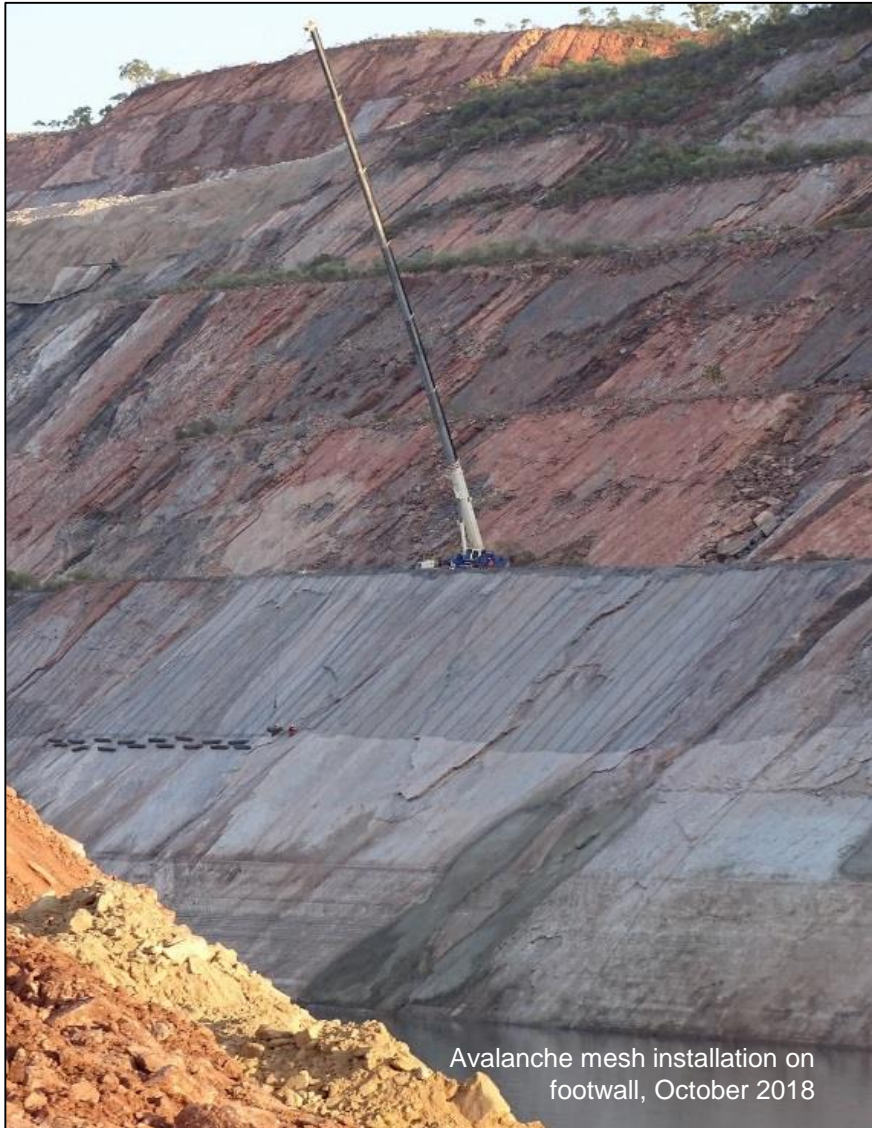
## Footwall refurbishment





# Koolan Island Mine Restart

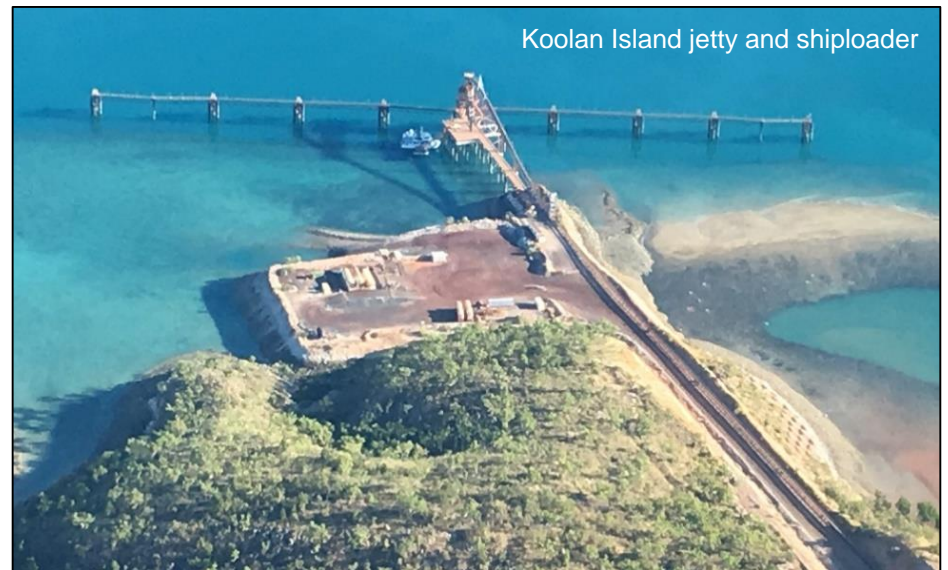
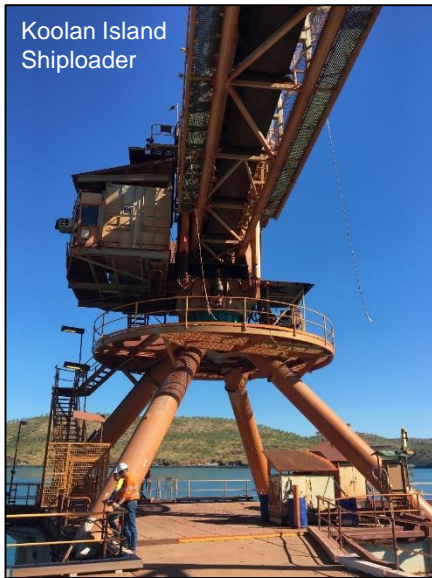
## Main Pit footwall refurbishment





# Koolan Island Mine Restart

## Site infrastructure and mining fleet



# Mount Gibson Iron

## FY2019 Business Objectives



- **Mid-West operations** – complete mining and sales from the Iron Hill operation and transition the Mid West operations to closure in early 2019.
- **Koolan Island** – conclude pit dewatering and commence production as scheduled in order to achieve first ore sales by the end of the March 2019 Quarter.
- **Cost reductions** - continue to drive for sustainable cost improvements.
- **Treasury returns** - maintain the increased yield on the Group's cash and investment reserves.
- **Growth projects** - continuation of the search for acquisition opportunities.

Guidance for 2018/19 (currency in A\$)	
Iron ore sales	2.7 - 3.3 Mwmt
Site cash cost – Mid West	\$38 - 42/wmt
Site cash cost – Koolan Island, initial sales*	\$70 - 75/wmt
All-in group cash cost (excl. Koolan capital)	\$52 - 57/wmt
Remaining Koolan Island spend to initial sales**	~\$65 million

Notes:

- Site cash costs are reported FOB and include royalties and sustaining capital expenditure.
- All-in group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs, excluding development capital related to the Koolan Island restart project.
- \* Site cash costs are for the initial early stage of production, and are projected to progressively decline over the mine life as the strip ratio reduces.
- \*\* Comprises remaining capital spend and pre-production costs prior to the commencement of ore sales, as at 30 September 2018.



- **High Grade Koolan Island Restart Project** represents a **compelling investment** that capitalises on the structural shift in favour of high grade iron ores.
- **MGX is the only Australian producer** that will provide investors with direct exposure to cashflows from sales of high grade hematite (+65% Fe) products.
- Koolan Island Restart Project on track to commence high grade sales by the end of the March 2019 Quarter.
- Sales from Iron Hill ores in the Mid-West provide a bridge to the commencement of high grade sales from Koolan Island.
- **Robust balance sheet** – cash and investment reserves of \$452 million at 30 September 2018.
- **Experienced team** with a broad range of operating and corporate experience, and proven cost reduction and control capability, and ability to generate positive operating cashflows in a volatile price environment.
- Continued focus on **seeking resource investment opportunities** that leverage our strengths to provide value creation for MGX shareholders.

**September Quarter 2018**



**MGX**

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24 October 2018**

# Supplementary Information

## Mineral Resources and Ore Reserves Information at 30 June 2018



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	3.71	60.2	13.29	0.30	0.007
Indicated	38.23	65.1	5.48	0.65	0.013
Inferred	9.97	60.6	12.21	0.59	0.013
<b>Total at 30 June 2018</b>	<b>51.91</b>	<b>63.9</b>	<b>7.33</b>	<b>0.62</b>	<b>0.013</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
<b>Total at 30 June 2018</b>	<b>21.0</b>	<b>65.5</b>	<b>4.58</b>	<b>0.89</b>	<b>0.012</b>
<b>Extension Hill</b>					
<b>Mineral Resources, above 50% Fe</b>					
Measured	1.27	55.3	9.16	2.76	0.077
Indicated	0.31	57.3	10.42	1.62	0.076
Inferred	0.20	56.6	10.49	1.66	0.055
<b>Total at 30 June 2018</b>	<b>1.79</b>	<b>55.8</b>	<b>9.53</b>	<b>2.44</b>	<b>0.074</b>
<b>Iron Hill</b>					
<b>Mineral Resources, above 50% Fe</b>					
Measured	-	-	-	-	-
Indicated	3.63	56.3	12.85	1.53	0.073
Inferred	1.54	56.1	9.08	2.42	0.081
<b>Total at 30 June 2018</b>	<b>5.17</b>	<b>56.2</b>	<b>11.73</b>	<b>1.79</b>	<b>0.076</b>
<b>Tallering Peak</b>					
<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 at 30 June 2018</b>	<b>1.65</b>	<b>57.9</b>	<b>11.10</b>	<b>2.15</b>	<b>0.069</b>
<b>Shine</b>					
<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 at 30 June 2018</b>	<b>15.89</b>	<b>58.1</b>	<b>9.57</b>	<b>1.48</b>	<b>0.071</b>
<i>Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</i>					

Total Group Mineral Resources and Ore Reserves at 30 June 2018 (above 50% Fe)					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Total Mineral Resources at 30 June 2018</b>	<b>76.4</b>	<b>61.8</b>	<b>8.23</b>	<b>0.95</b>	<b>0.032</b>
<b>Total Ore Reserves at 30 June 2018</b>	<b>21.0</b>	<b>65.5</b>	<b>4.58</b>	<b>0.89</b>	<b>0.012</b>
<i>Total Mineral Resources at 30 June 2017</i>	<i>87.9</i>	<i>61.4</i>	<i>8.70</i>	<i>1.07</i>	<i>0.032</i>
<i>Total Ore Reserves at 30 June 2017</i>	<i>12.82</i>	<i>66.02</i>	<i>3.71</i>	<i>0.93</i>	<i>0.009</i>
<i>Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.</i>					

### Competent Persons Statements

#### Mount Gibson Iron Mineral Resources:

The information in this report relating to Mineral Resources 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 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.

#### Mount Gibson Iron Ore Reserves

The information in this report relating to Ore Reserves is based on information compiled by Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of 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'. Mr Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For more information, refer to Annual Statement of Mineral Resources and Ore Reserves released 11 October 2018