

# Financial Results for December 2018 Half-Year



# MGX

Investor Presentation  
19 February 2019

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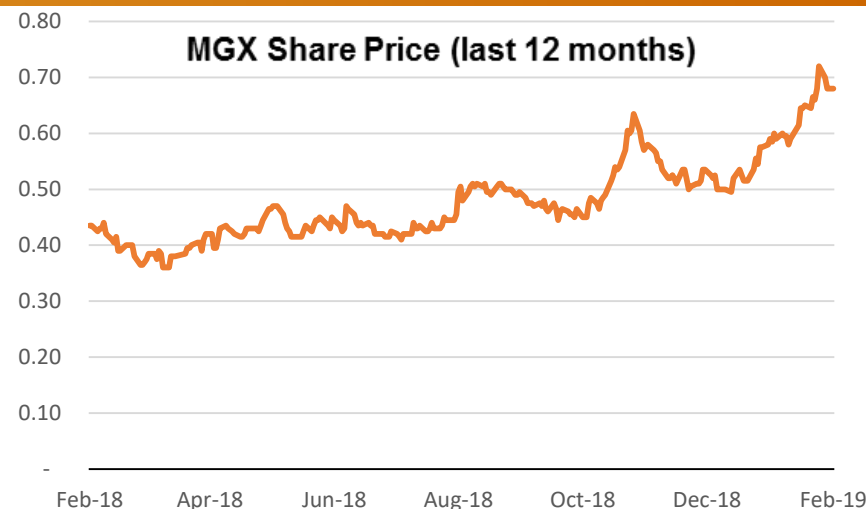
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# Mount Gibson Iron Corporate Overview

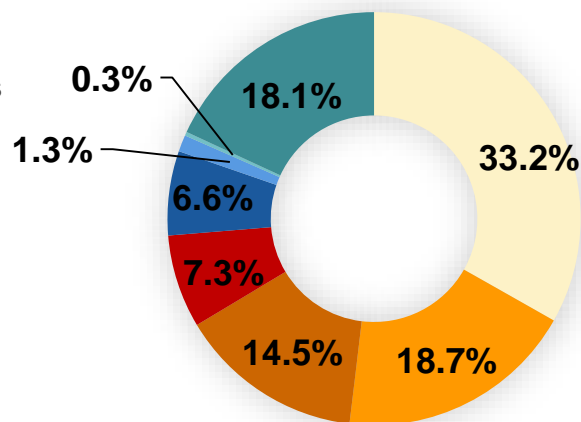


Issued capital	1,128.4 million shares
Market capitalisation	A\$767 million (at \$0.68/share, 15 Feb 2019)
Cash and investments	A\$431 million (31 December 2018)
Borrowings	Nil
Index	ASX All Ordinaries



## Shareholder Distribution (% issued shares)

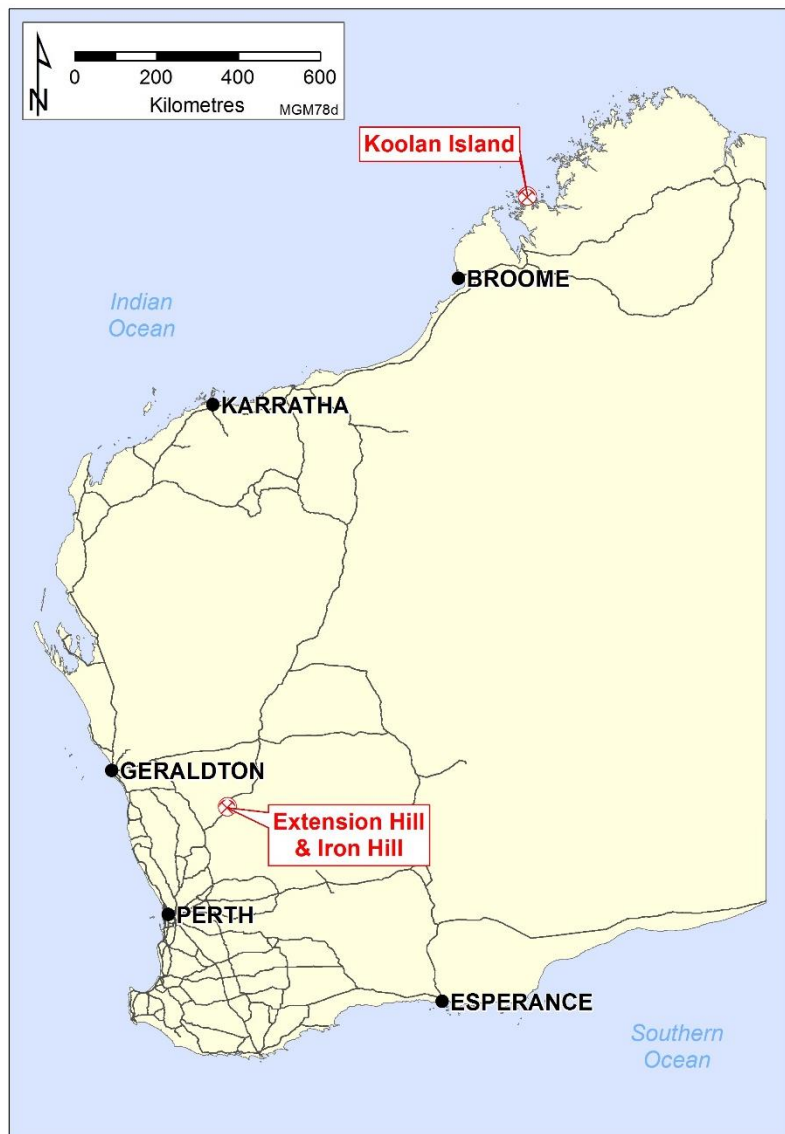
- APAC Resources
- Australia/NZ Institutions
- Shougang Fushan
- Australian Retail
- North America
- UK & Europe
- Management
- Other



## 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*
- Scott de Kruijff - *COO*
- Gill Dobson - *CFO*
- David Stokes – *Co. Sec. & General Counsel*

# Mount Gibson Iron Business Overview



## Koolan Island

- Australia's highest grade DSO hematite mine.
- Ore Reserves of 21.0Mt @ 65.5% Fe.\*
- Seawall seepage barrier completed July 2018, dewatering progressing and mining underway.
- First ore sales in April 2019.
- Projected FY2019 ore sales of 0.7-1.0 Mwmt.

## Mid-West Region

Extension Hill & Iron Hill, Perenjori Siding, Geraldton Port

- Planned DSO sales of 2.0-2.3 Mwmt in FY2019 at projected site cash cost of \$38-42/wmt FOB.
- Mining completed December 2018, final ore shipments in February 2019.
- Total site closure costs provisioned at ~\$15m, of which ~\$7m is anticipated to be spent in FY2019.
- Right earned to a future income stream based on third party rail volumes, capped at ~\$35 million.



# December 2018 Half-Year Overview

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



- Net profit after tax of **\$45.1 million** (1H 2017-18: \$80.0 million, which included \$64.3 million from the proceeds of the Koolan Island business interruption insurance settlement).
- Total product sales of **2.2 million wet metric tonnes (Mwmt)** (1H 2017-18: 1.7 Mwmt), for sales revenue of \$177.4 million CFR, including shipping freight (1H 2017-18: \$117.0 million).
- Cash, term deposits and liquid investments of **\$431.0 million** at 31 December 2018, a reduction of \$26.5 million in the half year, arising from net operating cashflows and interest of \$57.3 million, Koolan Island expenditure of \$65.5 million and \$18.3 million in cash dividends paid in October 2018.
- Mid-West site cash costs\* of **\$37/wmt FOB** (1H 2017-18: \$42/wmt) and Group all-in cash costs\* of **\$40/wmt FOB** (1H 2017-18: \$46/wmt), both below guidance.
- Iron Hill mining, processing and railing completed, with the final Mid West shipments currently being loaded for export from Geraldton Port.
- Koolan Island Restart Project pre-production activity nearing completion, and mining of high grade ore about to commence. Koolan ore sales to commence in April 2019.
- Sales guidance for 2018/19 unchanged at **2.7-3.3 Mwmt**, including **0.7-1.0 Mwmt** from Koolan Island, at an average all-in Group cash cost\* of **\$52-57/wmt FOB**.

Mwmt = million wet metric tonnes.

\* Site all-in cash costs are reported as at the loading port (Free on Board, FOB) including royalties and capital expenditure, and Group all in cash costs are reported FOB and include all operating, capital, royalties and corporate costs, excluding development costs related to the Koolan Island restart project.

# December 2018 Half-Year

A solid performance during operational transition



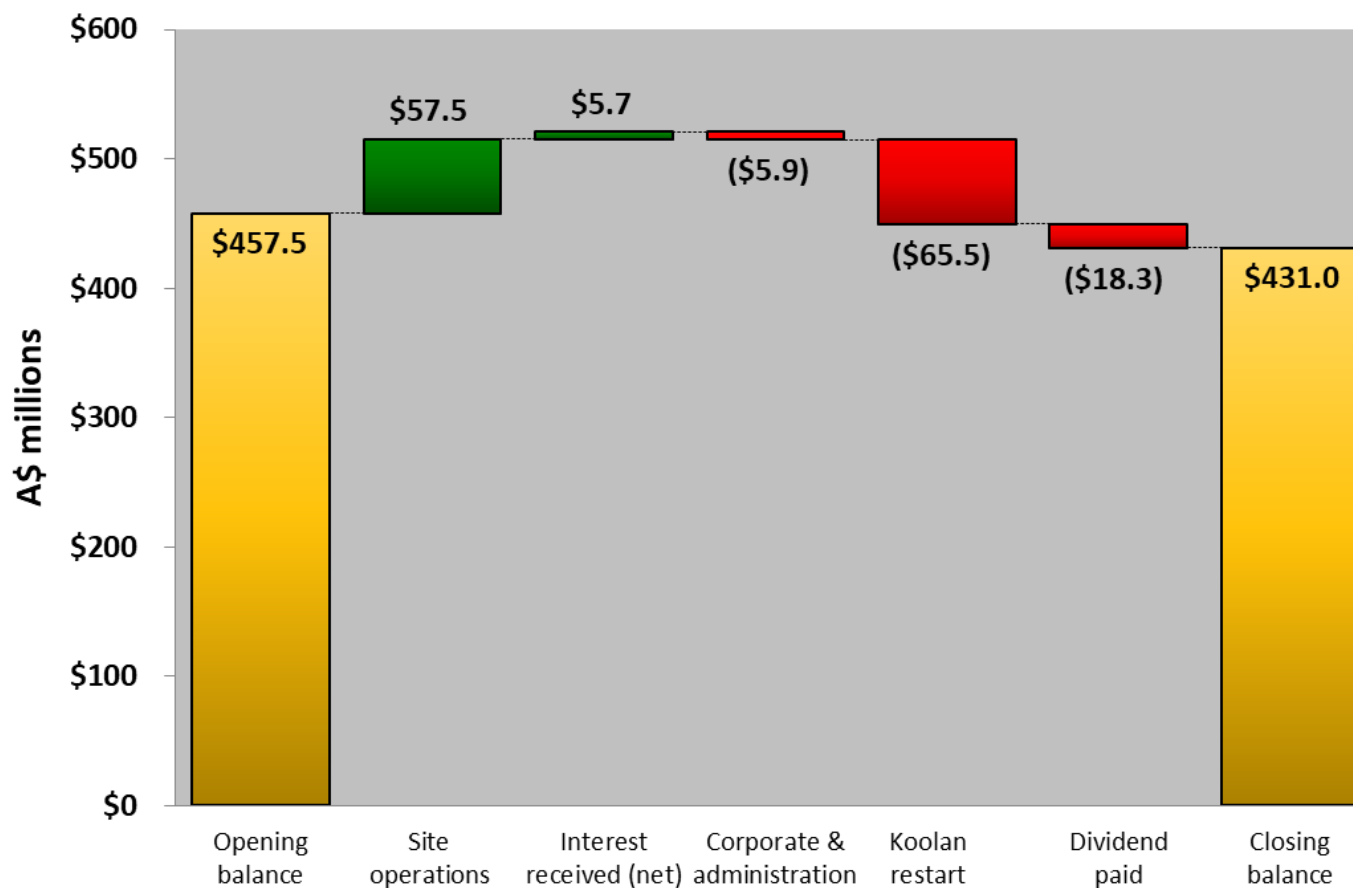
Results for the half-year ended 31 December 2018 compared with the prior corresponding half-year period:		Half-Year ended 31 December 2018	Half-Year ended 31 December 2017
Ore tonnes mined	wmt (mill)	1.9	2.2
Ore tonnes sold	wmt (mill)	2.2	1.7
Average realised price, all products (FOB)	\$/wmt sold	64	54
<b>Continuing Operations (Extension Hill &amp; Koolan Island):</b>			
Sales revenue, including shipping freight	\$ mill	177.4	117.0
Interest income	\$ mill	5.9	6.2
Cost of sales, including shipping freight	\$ mill	(132.1)	(100.1)
<b>Gross profit</b>	\$ mill	<b>51.1</b>	<b>23.1</b>
Administration and other expenses	\$ mill	(6.5)	(7.5)
Other income	\$ mill	1.4	64.9
Finance costs	\$ mill	(0.8)	(0.3)
<b>Profit before tax from continuing operations</b>	\$ mill	<b>45.2</b>	<b>80.2</b>
Income tax benefit/(expense)	\$ mill	-	-
<b>Profit after tax from continuing operations</b>	\$ mill	<b>45.2</b>	<b>80.2</b>
<b>Discontinued Operations (Tallering Peak):</b>			
Profit/(loss) after tax from discontinued operations	\$ mill	(0.2)	(0.2)
<b>Net profit/(loss) after tax</b>	\$ mill	<b>45.1</b>	<b>80.0</b>
Note: Some totals may not add due to rounding.			

# December 2018 Half-Year

## Cash, Term Deposits & Tradeable Investments



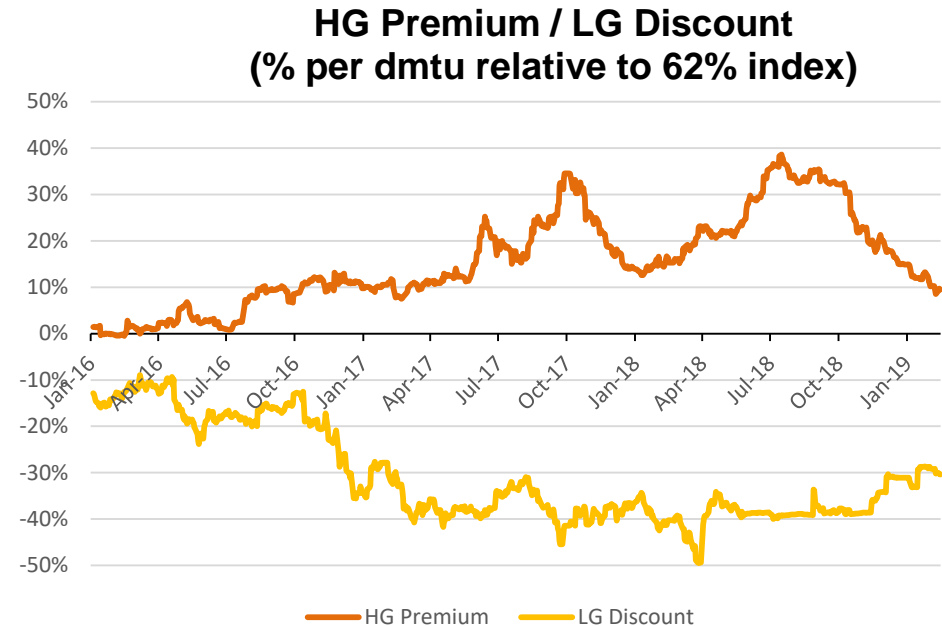
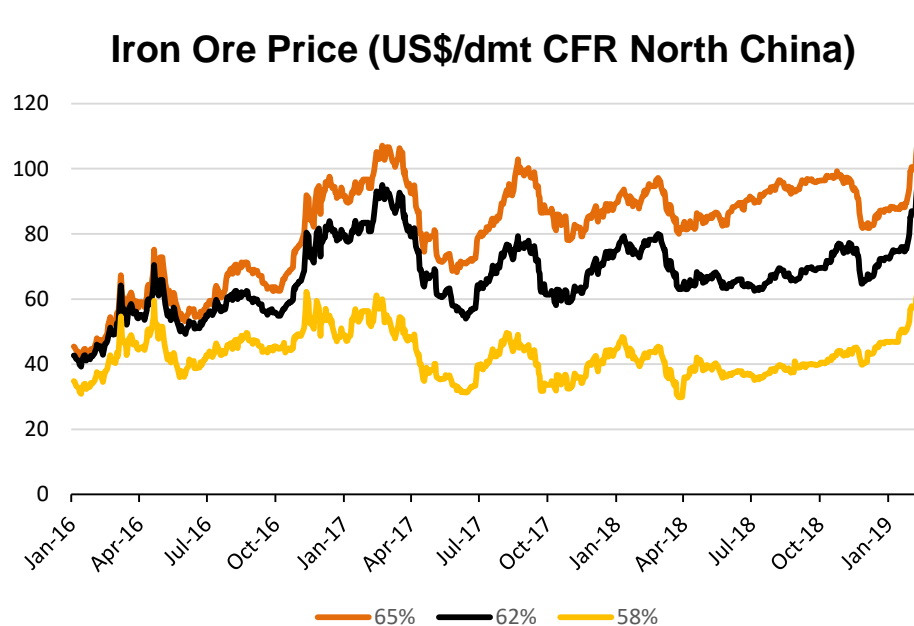
**Movement in Cash, Term Deposits and Tradeable Investments**  
**Half Year ended 31 December 2018**



\* Site operations includes working capital movements.

# Market outlook

## Iron ore pricing remains strong



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

- 65% Fe premium currently ~10% per dry metric tonne unit (dmtu) of contained iron relative to 62% Fe price.
- Price differential pinches and swells but has widened since 2016 as steel maker margins have lifted in China and Chinese environmental regulations have curbed older less efficient capacity.
- Low grade discounts and high grade premiums moderated in late 2018 and early 2019 in step with seasonal factors and Chinese economic conditions.
- Prices for all products have risen strongly in recent weeks influenced by indefinite curtailment of a significant proportion of Brazilian high grade production.

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



# Mid West

## Extension Hill and Iron Hill



- Total ore sales from Extension Hill/Iron Hill of **2.2 Mwmt** at average site all-in cash cost\* of **\$37/wmt** in the December 2018 half-year.
- Mining completed December 2018, final ore train departed at the end of January 2019.
- Final direct shipping ore cargoes expected in late February 2019.
- Strong performance in final months.
- Mid West business transitioning to closure.
- Total closure and rehabilitation costs of \$15 million, including redundancy costs, of which ~\$7m is anticipated to be spent in FY2019.
- Right earned to a future income stream based on third party rail volumes, capped at ~\$35 million.



\* Site all-in cash costs are reported FOB and include royalties and sustaining capital.

# Koolan Island

## 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



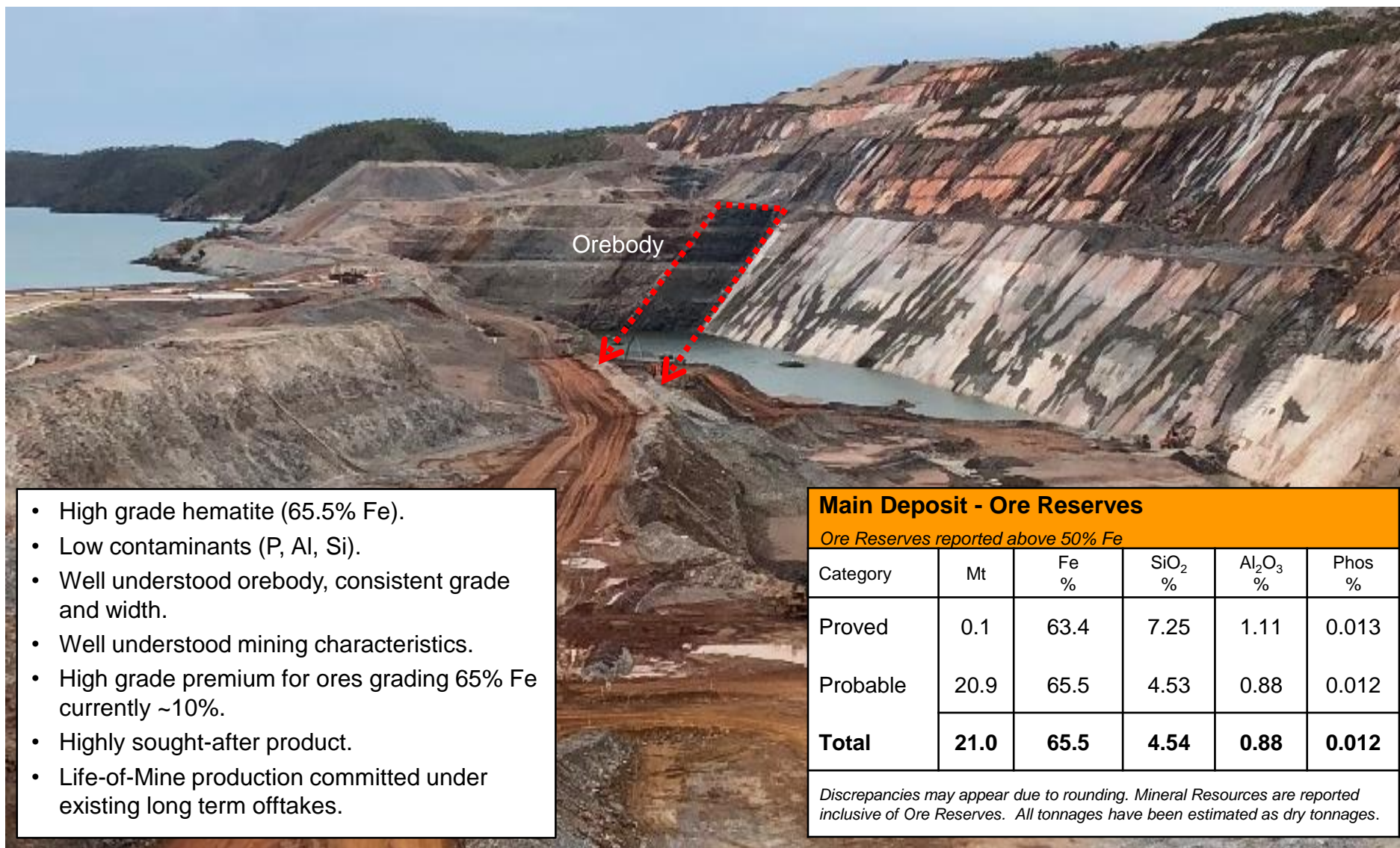
- One of the world's premier **high grade hematite** production opportunities.
- Self-contained standalone site.
- Main Pit Ore Reserves of **21.0Mt @ 65.5% Fe\*** extending mine life to 2023/24.
- Robust economics using conservative Fe prices and FX assumptions.\*
- First ore sales expected in April 2019.

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



# Koolan Island

## A unique high-grade hematite deposit



- High grade hematite (65.5% Fe).
- Low contaminants (P, Al, Si).
- Well understood orebody, consistent grade and width.
- Well understood mining characteristics.
- High grade premium for ores grading 65% Fe currently ~10%.
- Highly sought-after product.
- Life-of-Mine production committed under existing long term offtakes.

### Main Deposit - Ore Reserves

*Ore Reserves reported above 50% Fe*

Category	Mt	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	Phos %
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
<b>Total</b>	<b>21.0</b>	<b>65.5</b>	<b>4.54</b>	<b>0.88</b>	<b>0.012</b>

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

# Koolan Island

## Operational Profile



Operating Year (from production commencement)	(from	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% HG premium).

- 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 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%**.
- NPV and IRR both increase significantly at current spot prices.

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

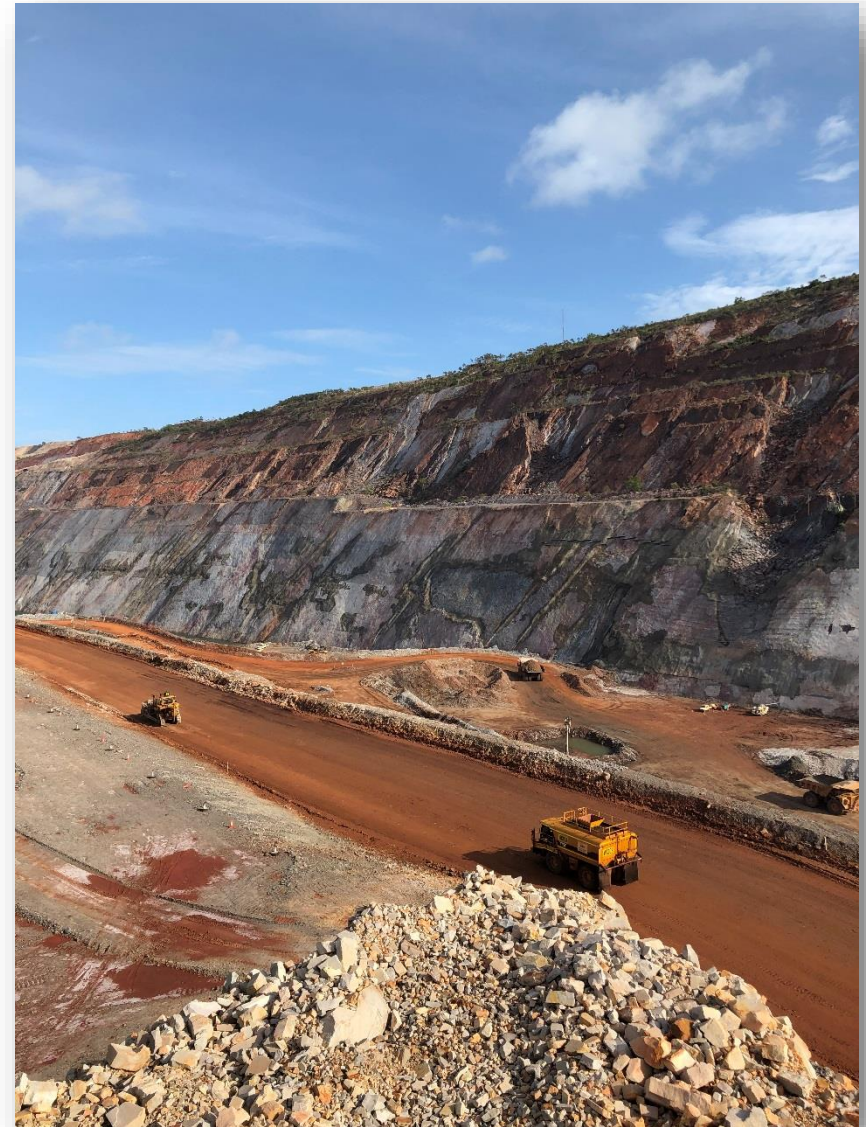


# Koolan Island

## Pre-production activities nearing completion



- Pre-production activities nearing completion:
  - Seawall embankment construction commenced June 2017, completed September 2017.
  - Impermeable seepage barrier within the seawall completed July 2018.
  - Dewatering and footwall refurbishment well progressed.
  - Process/site infrastructure recommissioning nearly complete.
  - Waste mining commenced November 2018, and access to first high grade ore zones is imminent.
- High grade ore sales to commence in April 2019.
- Koolan Island high grade sales guidance unchanged at **0.7-1.0 Mwmt** for FY2019.





# Koolan Island

## Approaching first ore sales



Main Pit, looking west, February 2019.

Waste mining  
progressing at  
current rate of  
+1Mt/month

Blasted waste areas  
ready for mining

Main Pit October 2018





# Koolan Island

## Mining progressing ahead of ore production



Waste mining in central Main Pit, looking west, February 2019



# Koolan Island

## Site infrastructure recommissioning underway



# Mount Gibson Iron

## FY2018-19 Business Objectives



- **Mid-West operations** – complete sales from the Iron Hill operation and transition the Mid West business to closure.
- **Koolan Island** – conclude pre-production activities and commence production and sales in line with the mine plan.
- **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

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.

# Mount Gibson Iron

A proven high grade hematite iron ore exporter



- The high grade Koolan Island Restart Project represents a compelling investment which capitalises on the rising demand for high grade iron ores.
- **MGX is the only Australian producer** that will provide exposure to direct shipping high grade hematite (+65% Fe).
- Koolan Island sales to commence in April 2019.
- Sales from Iron Hill/Mid West provide a bridge to the commencement of high grade sales from Koolan Island.
- Robust balance sheet provides flexibility and opportunities – cash and investment reserves of \$431 million at 31 December 2018.
- Continued focus on seeking opportunities that leverage our strengths to provide value creation for MGX shareholders.
- Proven cost reduction and control capability, and ability to generate positive operating cashflows in a volatile price environment.
- Focused and stable team with a broad range of operating and corporate experience.



# Financial Results for December 2018 Half-Year



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# Supplementary Information

## Cost of sales & cash costs



Mount Gibson Iron Limited Reconciliation of Cost of Sales to Cash Cost Information		Half-year ended 31-Dec-18	Year ended 30-Jun-18
<b><u>Extension Hill (including Iron Hill)</u></b>			
Cost of sales (excluding impairment & reversals), FOB	\$'000	\$92,609	\$162,318
Depreciation & amortisation	\$'000	\$(4,048)	\$(5,669)
Ore inventory movements, sustaining capital & other	\$'000	\$(7,929)	\$(3,901)
<b>Site all-in cash cost, FOB</b>	<b>\$'000</b>	<b>\$80,632</b>	<b>\$152,748</b>
<b>Iron ore sold</b>		<b>2,161</b>	<b>3,622</b>
	'000 wmt		
Cost of sales, FOB (rounded)	\$ / wmt sold	\$43	\$45
<b>Site all-in cash cost, FOB (rounded)</b>	<b>\$ / wmt sold</b>	<b>\$37</b>	<b>\$42</b>
<b><u>Group</u></b>			
Cost of sales - all operations	\$'000	\$93,346	\$159,876
Depreciation & amortisation	\$'000	\$(4,048)	\$(5,669)
Corporate expenses (excluding non-cash items)	\$'000	\$6,251	\$14,243
Ore inventory movements, sustaining capital & other	\$'000	\$(8,462)	\$(5,085)
<b>All-in Group cash cost (excluding Koolan restart capital)</b>	<b>\$'000</b>	<b>\$87,087</b>	<b>\$163,365</b>
<b>Iron ore sold - continuing &amp; discontinued operations</b>		<b>2,161</b>	<b>3,622</b>
	'000 wmt		
<b>All-in Group cash cost, FOB, excluding Koolan restart capital (rounded)</b>	<b>\$ / wmt sold</b>	<b>\$40</b>	<b>\$45</b>



# 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