

# Mount Gibson Iron

Exporting Australia's highest grade direct shipping iron ore



# MGX

Diggers and Dealers Conference  
7 August 2019

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*Investments in MGX shares are considered speculative.*

# Mount Gibson Iron

Business Overview – Long-standing mid-tier iron ore producer



## Kimberley Region

*Koolan Island*

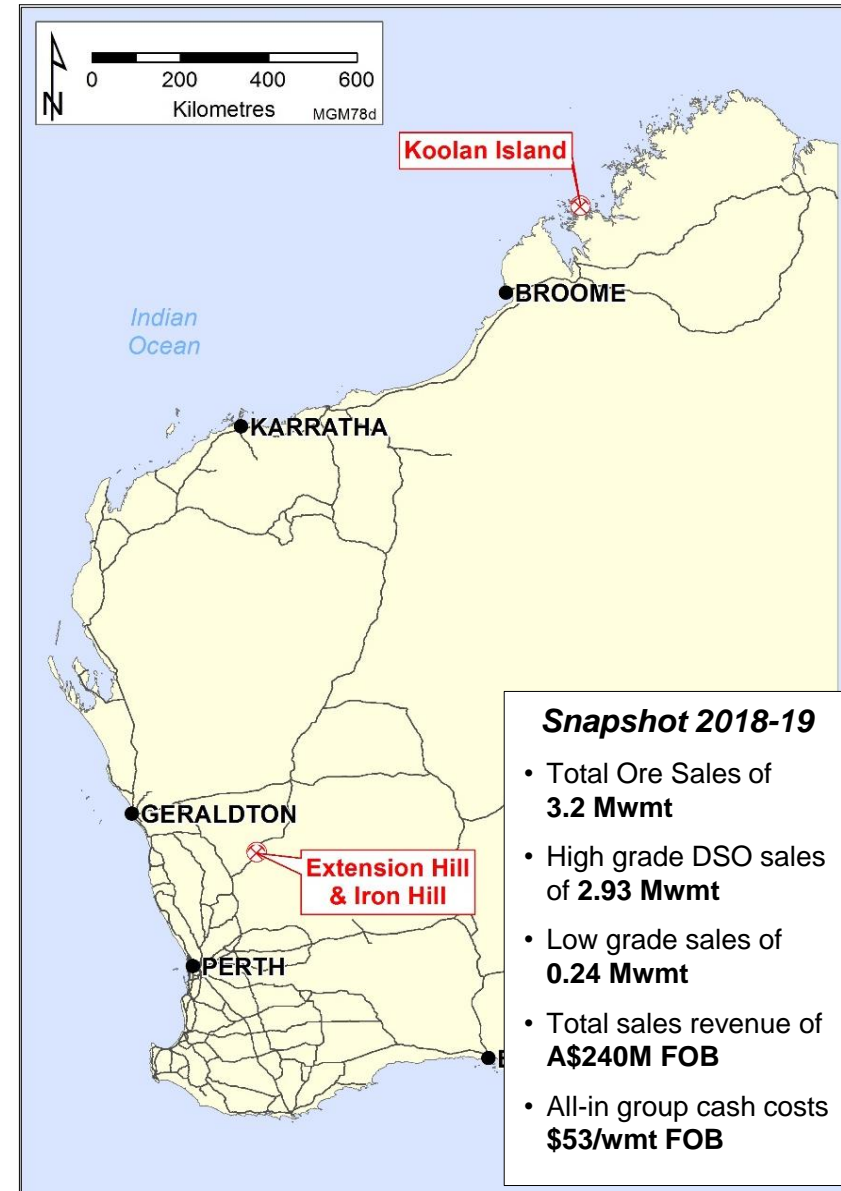
- Australia's highest grade direct shipping (DSO) hematite mine.
- Ore Reserves of 21.0Mt @ 65.5% Fe, for 6 year mine life.\*
- Ore sales recommenced late April 2019.
- High grade DSO sales of 0.4 Mwmt in June Quarter.
- Cashflow positive in June 2019.

## Mid-West Region

*Extension Hill, Perenjori Siding, Geraldton Port*

- DSO sales of 2.6 Mwmt in FY2019.
- Sales from low grade stockpiles commenced June 2019.
- Low grade sales program targeting ~1 Mwmt by end 2019, with further sales subject to market conditions.
- Right earned to a future income stream based on third party rail volumes, capped at ~\$35 million.

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

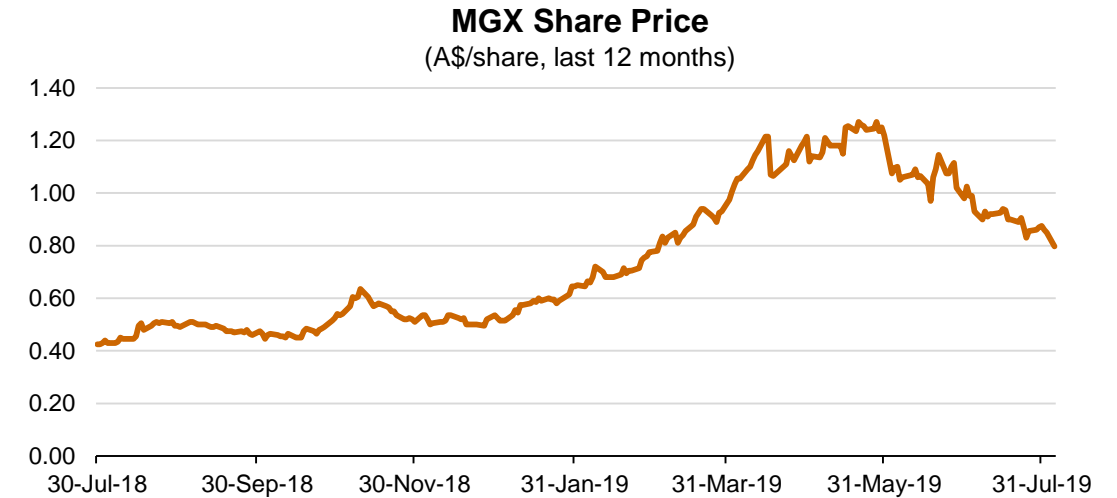


# Mount Gibson Iron

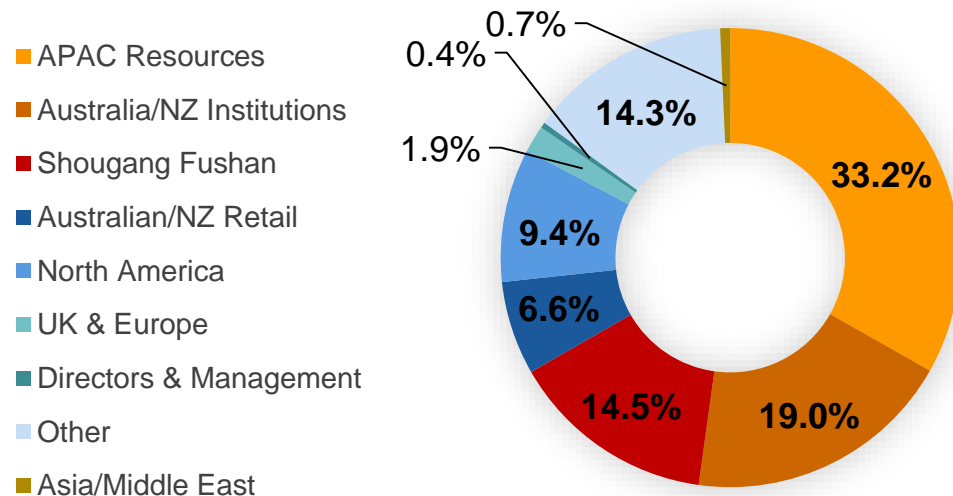
## Corporate Overview



Issued capital	1,130.1 million shares
Market capitalisation	A\$0.9 billion (\$0.80/share)
Cash/investments	A\$385 million (30 June 2019)
Borrowings	Nil
Index	ASX-300 (admitted 18 March 2019)
Dividends	A\$229 million (fully franked) paid since 2011



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

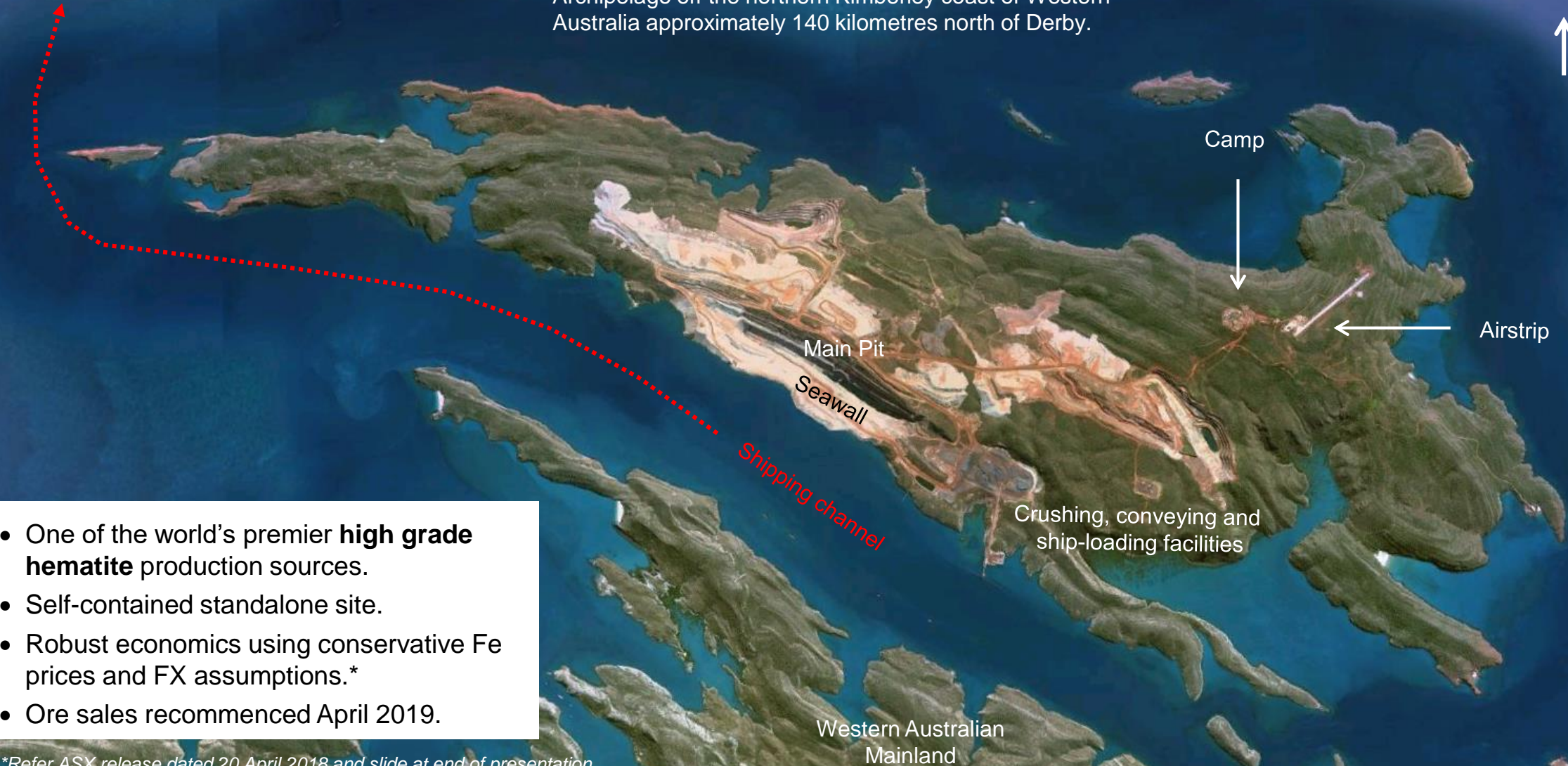
# Koolan Island

A premier high grade iron ore opportunity



To China

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



- One of the world's premier **high grade hematite** production sources.
- Self-contained standalone site.
- Robust economics using conservative Fe prices and FX assumptions.\*
- Ore sales recommenced April 2019.

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

# Koolan Island

The birthplace of Western Australia's iron ore industry



- “Iron Islands” of Yampi Sound a source of ships’ ballast in 19<sup>th</sup> Century.
- 1907 - first commercial mining operation.
- 1938 – mine closed due to Commonwealth embargo on iron ore exports.
- 1945 – mine re-opened for the domestic steel industry.
- Late 1940’s - acquired by BHP and expanded.
- 1963 – visit by HRH Queen Elizabeth II and Prince Philip, Duke of Edinburgh.
- 1965 - export embargo lifted enabling shipments from Koolan and Cockatoo Islands to Japan.
- 1993 - BHP closes mine having produced +68Mt.
- 2007 - MGX acquires Koolan Island and restarts exports. MGX has exported +25Mt to date.

*Photographs courtesy: State Library of Western Australia, BHP*

# Koolan Island today

A unique high-grade hematite mine



Main Pit, looking west, August 2019.

WA Mainland

Shipping Channel

Seawall

Footwall

## Main Deposit - Ore Reserves

*Ore Reserves reported above 50% Fe*

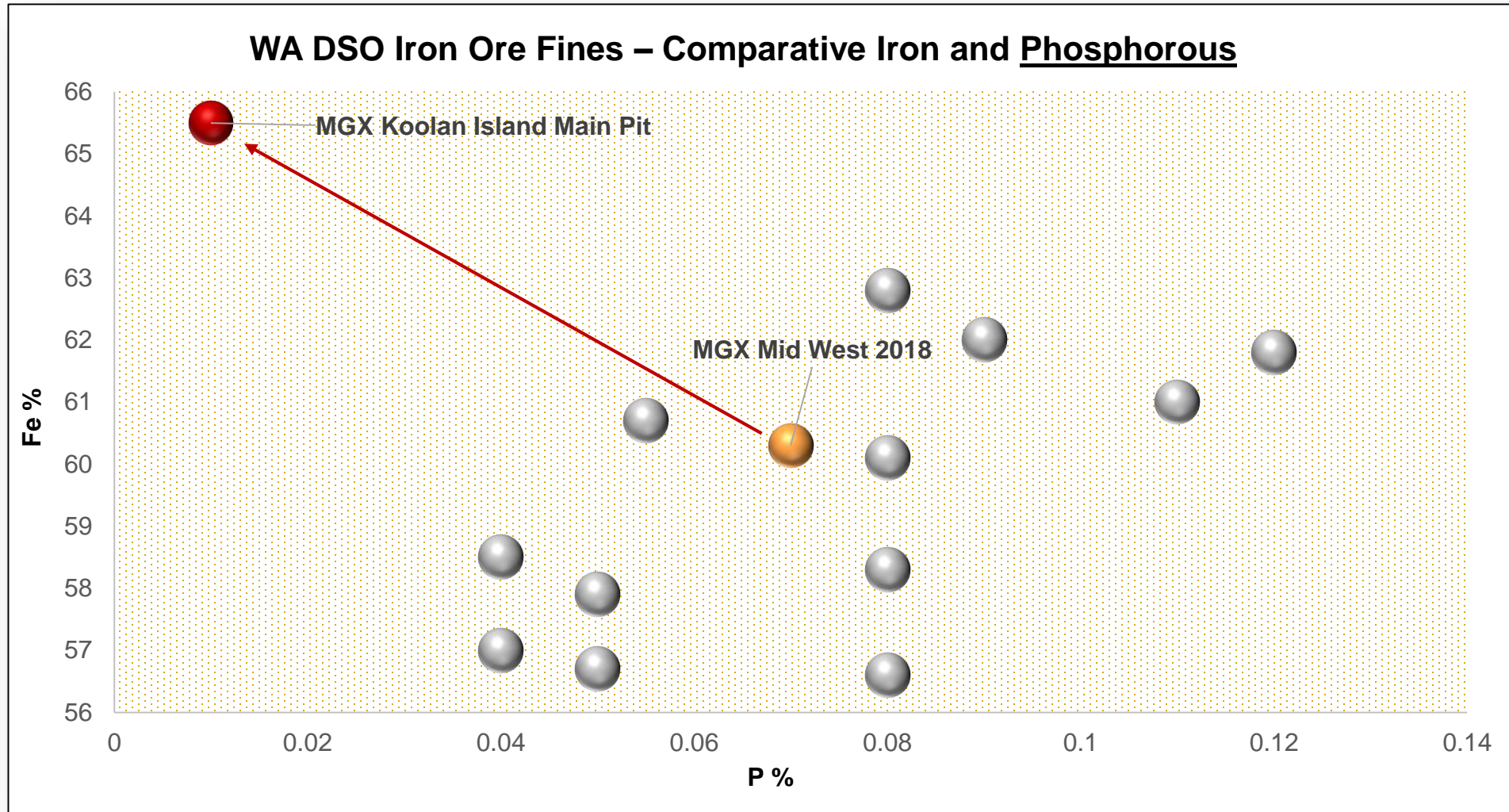
Category	Mt	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	Phos %
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
<b>Total</b>	<b>21.0</b>	<b>65.5</b>	<b>4.54</b>	<b>0.88</b>	<b>0.012</b>

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

- High grade hematite iron ore (65.5% Fe).
- Low contaminants (P, Al, Si).
- Well understood orebody, consistent grade and width.
- Well understood mining characteristics.
- Sought-after product.
- Life-of-Mine production committed under existing long term offtakes.

# A premium product

Koolan Island moves MGX up the quality curve

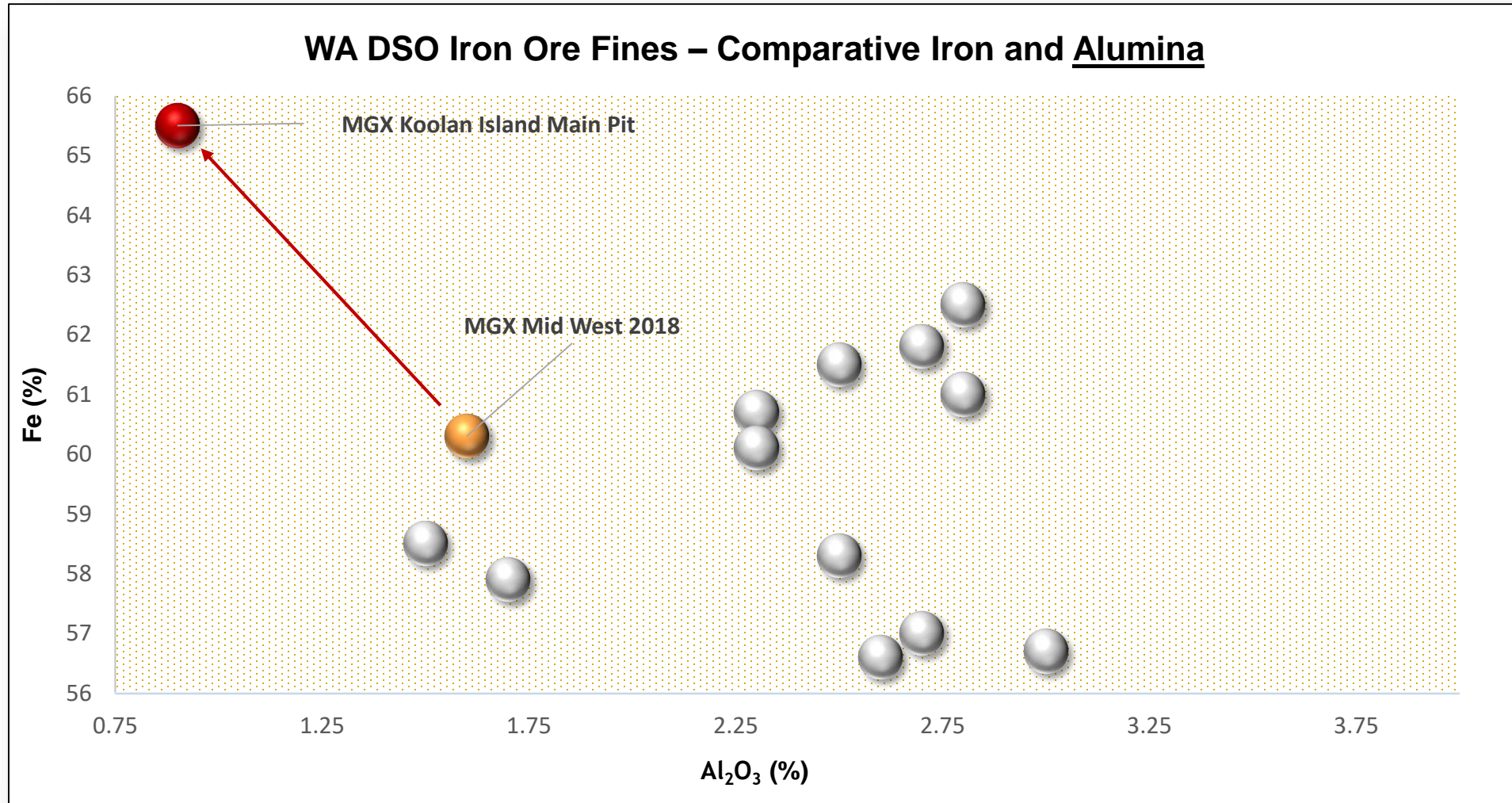


Sources: Mount Gibson Iron, public/company reports, Citi Research, Platts and Metals Market Index. MGX Mid West 2018 reflects average for FY2018. MGX Koolan Island reflects current Ore Reserves. Other ores depicted comprise major fines products from Rio Tinto, BHP, FMG, Roy Hill and Atlas (now Hancock). Refer slides at the end of this presentation for MGX Mineral Resources and Ore Reserves information.



# A premium product

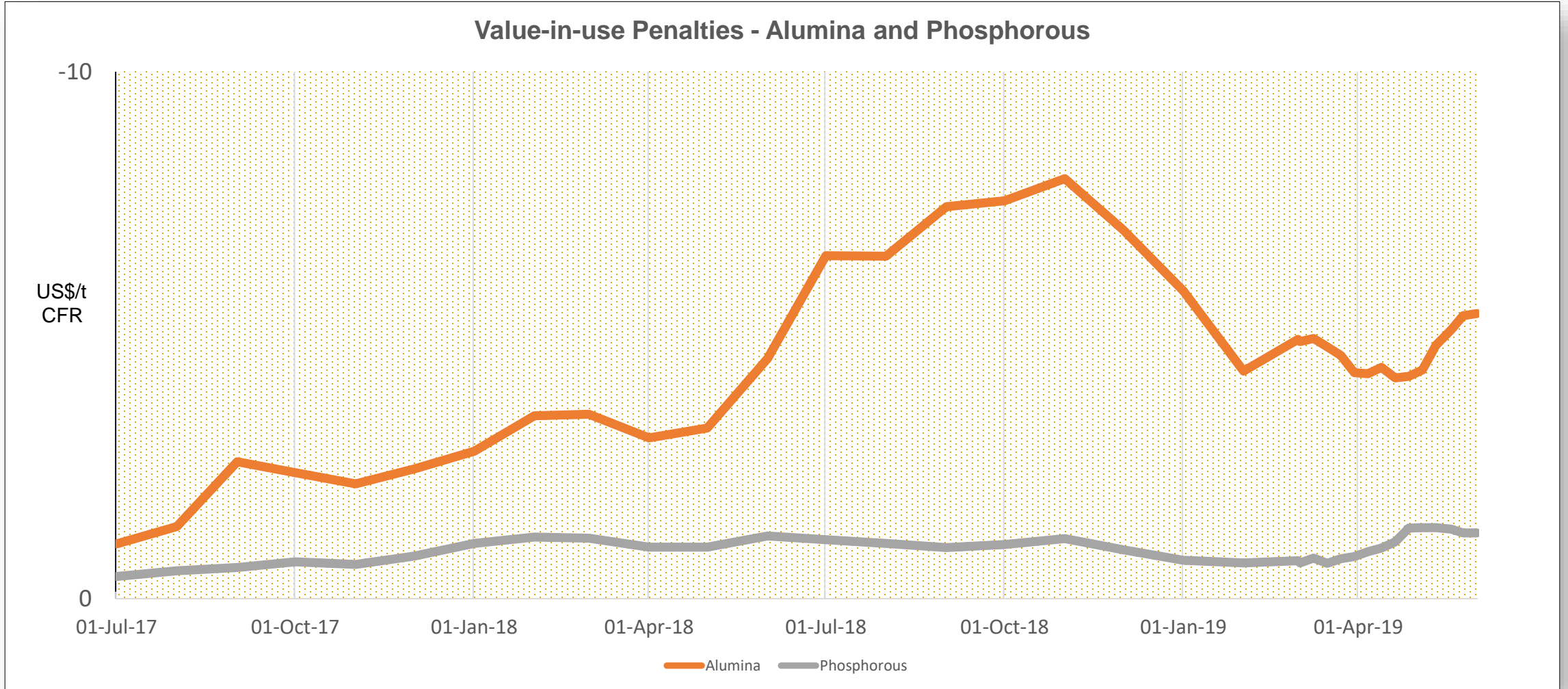
Koolan Island moves MGX up the quality curve



Sources: Mount Gibson Iron, public/company reports, Citi Research, Platts and Metals Market Index. MGX Mid West reflects average for FY2018. MGX Koolan Island reflects current Ore Reserves. Other ores depicted comprise major fines products from Rio Tinto, BHP, FMG, Roy Hill and Atlas (now Hancock). Refer slides at the end of this presentation for MGX Mineral Resources and Ore Reserves information.

# A premium product

Low alumina and phosphorous content matters



Source: Fastmarkets MB. Value-in-use penalties calculated per 1% of contained Alumina and Phosphorous respectively.

# Iron Ore Market outlook

Iron ore pricing remains well supported



**Iron Ore Price**  
(US\$/dmt CFR North China, 2016-19)



**Koolan Island is Australia's highest grade DSO hematite iron ore mine with an Ore Reserve Grade of 65.5% Fe\*:**

- Prices across product types have risen sharply in 2019 following the curtailment of a significant proportion of Brazilian high grade production.
- Low grade discounts and high grade premiums have moderated since late 2018 in step with seasonal factors and Chinese economic conditions.
- 65% Fe premium currently ~3% per dry metric tonne unit (dmtu) of contained iron relative to the benchmark 62% Fe price.
- Higher quality steel feedstocks result in greater steel mill efficiency and reduced plant emissions intensity.

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

# Koolan Island

## Operational Profile – Feasibility Study Mine Plan (2018)



Operating Year (from sales commencement)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
<b>Ore Mined (Mt)</b>	2.9	1.9	5.1	7.4	4.0	-	<b>21.3<sup>#</sup></b>
<b>Waste Mined (Mt)</b>	19.1	20.5	16.3	8.8	2.7	-	<b>67.5</b>
<b>Total Movement (Mt)</b>	22.0	22.4	21.4	16.3	6.7	-	<b>88.8</b>
<b>Strip Ratio (waste:ore tonnes)</b>	6.6	10.8	3.2	1.2	0.7	-	<b>3.2</b>
<b>Ore Crushed (Mt)</b>	2.5	2.3	4.6	5.4	5.4	1.1	<b>21.3<sup>#</sup></b>
<b>Ore Shipped (Mt)</b>	<b>2.1</b>	<b>2.6</b>	<b>4.6</b>	<b>5.5</b>	<b>5.3</b>	<b>1.2</b>	<b>21.3<sup>#</sup></b>
<b>Fe Grade (%)</b>	<b>65.8%</b>	<b>65.6%</b>	<b>65.0%</b>	<b>65.8%</b>	<b>65.2%</b>	<b>65.8%</b>	<b>65.5%</b>
<b>A\$/wmt FOB cash operating cost*</b>	76	68	41	34	28	17	<b>41</b>

*Discrepancies may appear due to rounding.  
Schedule is indicative only, and subject to ongoing optimization, actual mine performance, and prevailing market conditions.  
\*Cash operating costs include operating expenditure, royalties, sustaining capital expenditure and corporate cost allocations.  
#Includes approximately 0.3Mt of Inferred Resources within the pit shell, representing <1.5% of total anticipated production and which is not material to the viability of the Project.*

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

- Life-of-mine 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 reduce in line with strip ratio.
- Estimated post-tax NPV of **~A\$1 billion** at current spot prices/FX rates\*.

*Note: All figures expressed in Australian dollars unless stated otherwise. \*Spot price of US\$99/dmt CFR (Platts 62% Fe) and exchange rate of A\$1.00/US\$0.68.  
For supporting information, refer to ASX release dated 20 April 2018 and slide at end of presentation.*

# Koolan Island

Mining and ore production ramping up



Main Pit, looking east,  
August 2019.

# Koolan Island

Mining and ore production ramping up



Koolan crushing and screening plant,  
and stockpile yard, July 2019

# Koolan Island

Unique location



Camp Location



Accommodation units



# Koolan Island

June 2019 Quarter



- High grade DSO shipments commenced April 2019.
- 0.4 Mwmt @ 65% Fe sold in June Quarter, each cargo worth ~**A\$10M** at today's prices.
- Average realised sale price of **US\$106/dmt** FOB in June quarter.
- Site cash cost ~A\$77/wmt FOB (excl. royalties) from end May, expected to decrease.
- Mine was **\$10M cashflow positive** in June.
- Production ramping up to 3-4 Panamax ships/month.



Bulk carrier berthing at Koolan wharf, April 2019



# Mid-West – *Extension Hill*

## Low grade sales program



- Prompted by the recent rise in iron ore prices, a program of low grade sales commenced in June 2019, with 0.24 Mwmt exported in the month.
- Targeting 1 million tonnes over the next ~6 months.
- Right earned to a future income stream based on third party rail volumes, capped at ~\$35 million, paid six monthly, commencing September 2019.



Reclaiming stockpiled low grade ore at Extension Hill



Loading low grade ore for trucking to rail siding



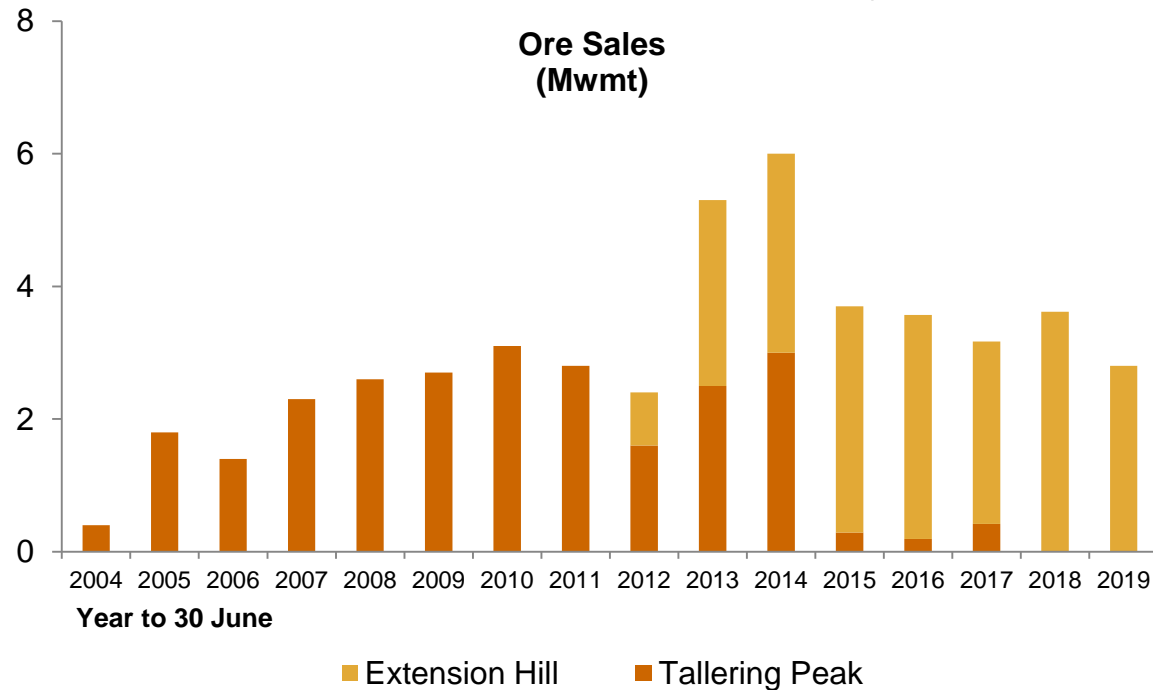
Railing to Geraldton Port

# Mid-West Operations

A successful 15 year presence



## Mid-West Ore Sales History



- Total Mid-West ore sales of **+47Mt to date:**
  - Talling Peak Feb 2004 to Sept 2014.
  - Extension Hill Nov 2011 to Feb 2019.
  - Low-grade sales from June 2019.
- Total Mid-West sales revenue **+A\$3.5 billion** FOB.
- Total payments to suppliers/service providers **+A\$2 billion**.
- Total employees **+1,500** over the business' life.
- Total wages/salaries paid **+A\$360 million**.
- Total state government royalties **+A\$350 million**.
- Direct shire/local community contributions **+A\$13 million**.



- MGX is the **only Australian producer** of direct shipping high grade (+65% Fe) and low impurity hematite iron ores.
- Koolan Island sales **ramping up** and Mid West low grade sales underway, **capitalising on buoyant iron ore market conditions**.
- Ability to generate **positive operating cashflows** in a volatile pricing environment.
- **Robust balance sheet** - A\$385 million in cash/investments and no borrowings - provides operational flexibility and the ability to pursue internal and external growth opportunities.
- Desired **growth focus** in steel sector bulks (iron ore & metallurgical coal) and base metals, with a preference for Australia and other lower risk jurisdictions.
- **Experienced team** with a range of operating, commercial and corporate capabilities.

# Mount Gibson Iron

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# Supplementary Information

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



<b>Koolan Island</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	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>

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

<b>Total Group Mineral Resources and Ore Reserves at 30 June 2018</b>					
<i>(above 50% Fe)</i>					
	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>

*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

#### 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.