

Mount Gibson Iron Limited



MGX

Macquarie Western Australia Forum
Presentation by CEO Peter Kerr
3 December 2019

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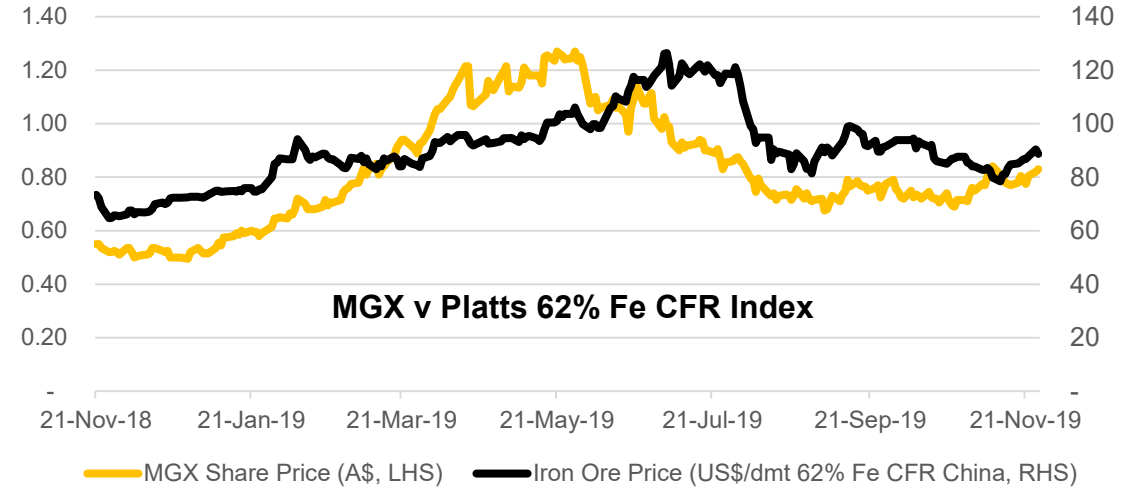
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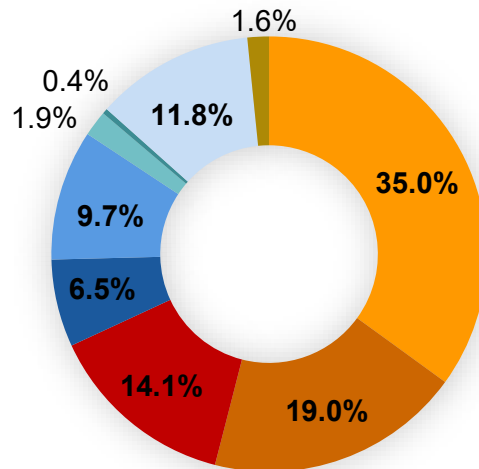
Investments in shares in MGX are considered highly speculative.

Issued shares	1,157.6 million shares
Market capitalisation	A\$950 million (\$0.82/share)
Cash/investments	A\$407 million (30 September 2019)
Bank Borrowings	Nil
Index	ASX-300
Dividends	A\$274 million (fully franked) since 2011



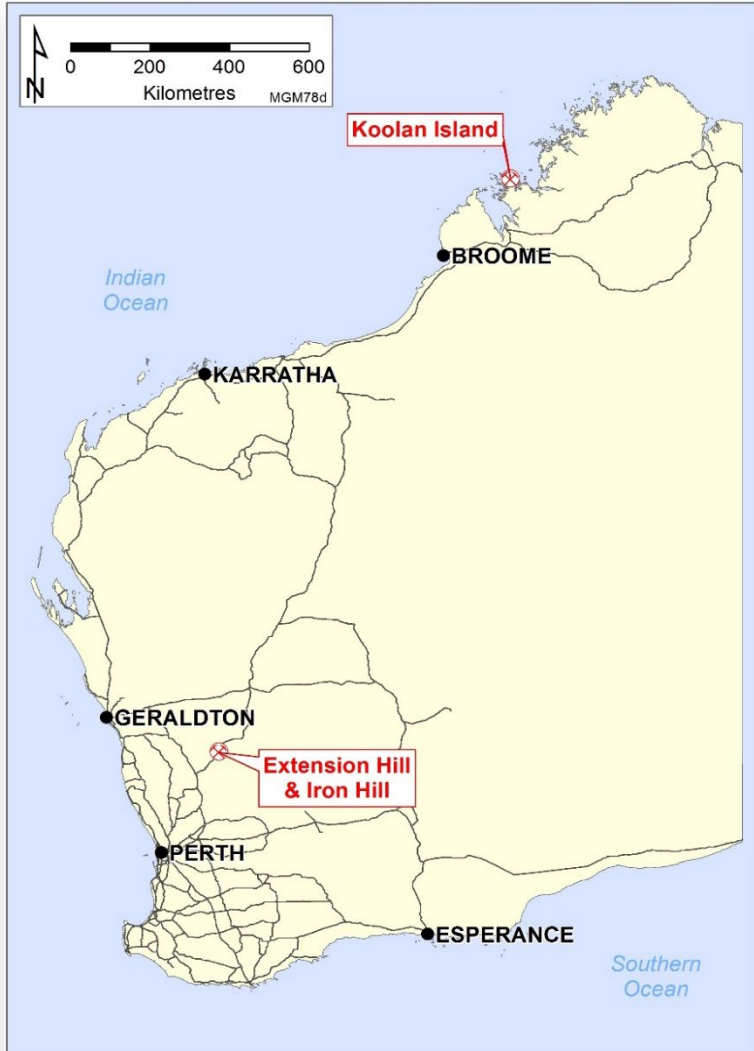
Shareholder Distribution (% issued shares)

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



Board and Management

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



Kimberley Region

Koolan Island

- Australia's highest grade direct shipping ore (DSO) hematite iron ore mine.
- Ore Reserves of 20.3Mt @ 65.5% Fe*, for 6 year mine life.
- Ore sales commenced in the June Quarter 2019.
- High grade DSO sales of 0.7 Mwmt in September Quarter.
- Ore sales guidance of 2.7–3.0 Mwmt in FY2020.

Mid-West Region

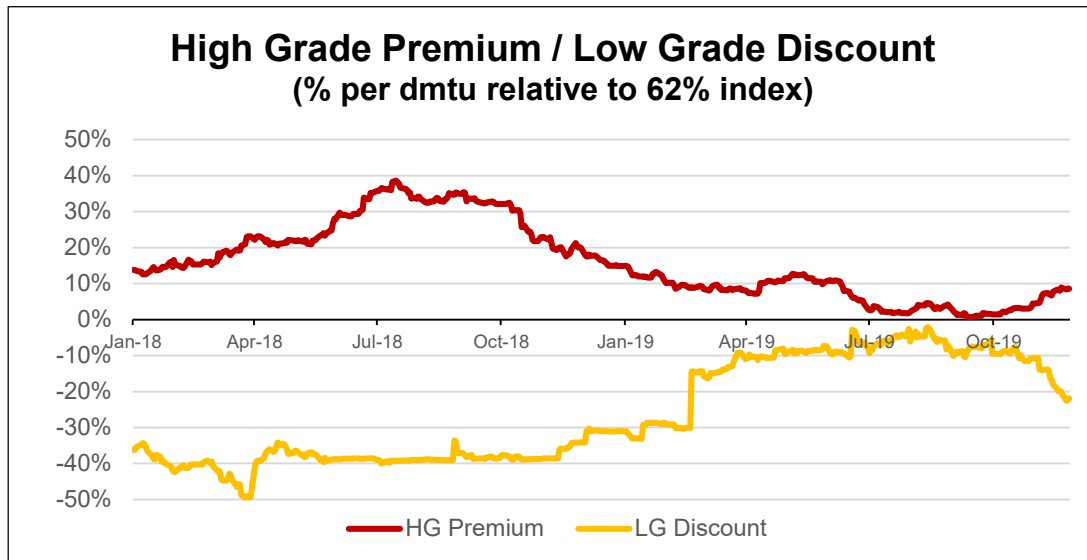
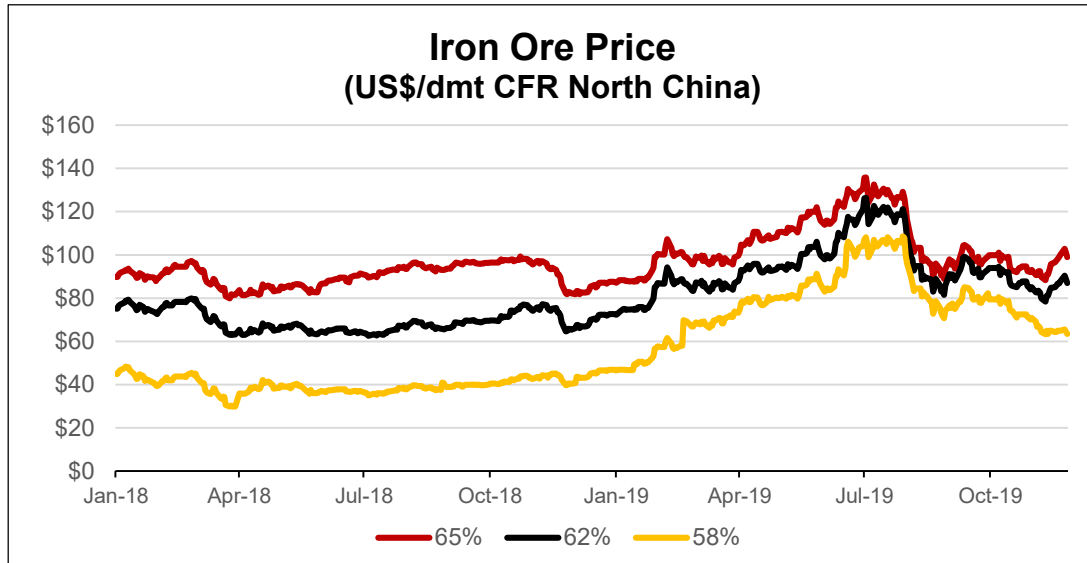
Extension Hill, Perenjori Siding, Geraldton Port

- 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, further sales subject to market conditions.
- Right earned to a future income stream based on third party rail volumes, capped at ~A\$35 million.

* Refer slide at end of this presentation.

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Iron ore pricing remains well supported



- Chinese steel production is still strong, reaching 748Mt for the nine months ended 30 September 2019, up 8% on the same period in 2018¹.
- Iron ore supply resumption from Brazil is more limited than many expected, and new growth projects are largely replacing depleted resources.
- Chinese steel producers are becoming more particular about iron (Fe) grade and impurities, and environmental performance.
- Demand for higher grade (and lower impurity) iron ores is expected to remain robust.
- Steel mill profitability in China has risen since June, and steel rebar margins are at their highest point since mid-2018².
- Mill profitability is linked to Chinese property construction levels, with some analysts now forecasting the Chinese property sector to grow 4-5% in 2020, potentially supportive of an iron ore price range of US\$70-90/dmt (62% Fe CFR)³.

1. World Steel Association, September 2019 Crude Steel Production report, 25 October 2019.
2. Bloomberg, Citi Research.
3. S&P Global Platts Ferrous & Steel Outlook Conference 21 November 2019.

- Total iron ore sales of **1.4 Mwmt**, comprising **0.7 Mwmt** of high-grade DSO from Koolan Island and **0.7 Mwmt** of low-grade material from Extension Hill stockpiles.
- Operating cashflow of **A\$25 million**, after corporate costs.
- Receipt of first bi-annual Mid-West rail refund, with A\$4 million received in late September 2019.
- Cash and liquid investments increased to **A\$407 million** at 30 September 2019 after payment of most of the cash component of the final dividend declared for the 2018/19 financial year.
- Koolan Island high grade ore extraction rates continuing to build, targeting 3-4 shipments per month.
- Group cash costs* of **A\$74/wmt FOB** for the quarter, in line with guidance.
- Ore sales guidance for FY2020 of **3.7–4.0 Mwmt** at an average all-in group cash cost* of **A\$70-75/wmt FOB**.

**Group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs.*



Entrance to the Extension Hill Operation
October 2019

- Mount Gibson's operations team in the Geraldton Port achieved **10 years without a Lost Time Injury** in September 2019 – an outstanding performance.
- Low-grade sales from Extension Hill of **0.7 Mwmt** at an average site cash cost of **\$41/wmt** FOB in the September 2019 quarter.
- On track for low grade sales of **+1.0 Mwmt** by late 2019.
- Marketing underway for further low-grade sales, subject to market conditions.
- Rail refund entitlement to provide ongoing cashflow, subject to third party rail volumes. The entitlement is currently accruing at **\$1.8-2.0 million** per quarter, payable six monthly, to a maximum of **\$35 million** (indexed).



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Koolan Island Operation



Main Pit looking southeast
October 2019



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Koolan Island - the birthplace of Western Australia's iron ore industry



- Late 1800's – the “Iron Islands” of Yampi Sound were a known source of ships' ballast materials.
- 1907 - first mining leases issued over Koolan Island deposits.
- 1936 - Anglo-Japanese consortium starts development at Koolan Island to supply Japan.
- 1938 – mine development suspended by Commonwealth embargo on iron ore exports.
- 1951 – WA Government consolidates ownership of Koolan and Cockatoo Islands in BHP's hands.
- 1963 – visit by HRH Queen Elizabeth II and Prince Philip, Duke of Edinburgh.
- 1965 - export embargo lifted over Yampi Sound deposits enabling exports to Japan.
- 1993 - BHP closes mine having produced 68Mt from 1965.
- 2007 - MGX acquires Koolan Island and restarts exports. MGX has exported +25Mt to date.

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Koolan Island



Waste stripping in west end of Main Pit, November 2019

- High grade DSO sales of **0.7 Mwmt** in the September 2019 quarter, almost double the June quarter sales volumes.
- Average grade of ore sold **65.5% Fe**, consistent with Ore Reserve.
- The seawall is performing well, and to design expectations.
- Site cash costs of **A\$89/wmt** in the September 2019 quarter reflecting the gradual build-up of shipping volumes. Unit costs to decline as production and shipping volumes increase.
- September quarter mining productivity was constrained by equipment congestion within the initial mining areas, and natural groundwater flows in the central ore zone of the Main Pit.



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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
Ore Mined (Mt)	2.9	1.9	5.1	7.4	4.0	-	21.3[#]
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 (waste:ore tonnes)	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[#]
Ore Shipped (Mt)	2.1	2.6	4.6	5.5	5.3	1.2	21.3[#]
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

Discrepancies may appear due to rounding.

All figures expressed in Australian dollars unless stated otherwise.

Schedule is indicative only, and subject to ongoing optimisation, 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 design pit shell, representing <1.5% of total anticipated production and which is not material to the viability of the Project.

For supporting information relating to Ore Reserves, refer to slide at end of presentation and to the ASX release dated 20 April 2018 for Feasibility Study information.

Base case feasibility study assumptions: Platts 62% Fe of US\$55/dmt CFR; USD:AUD FX rate of 0.75; 10% high grade premium)

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Koolan Island ramp-up progressing



Main Pit looking west,
November 2019



Seawall

Footwall

Ore Zone

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Koolan Island ramp-up progressing



Crushing plant, October 2019

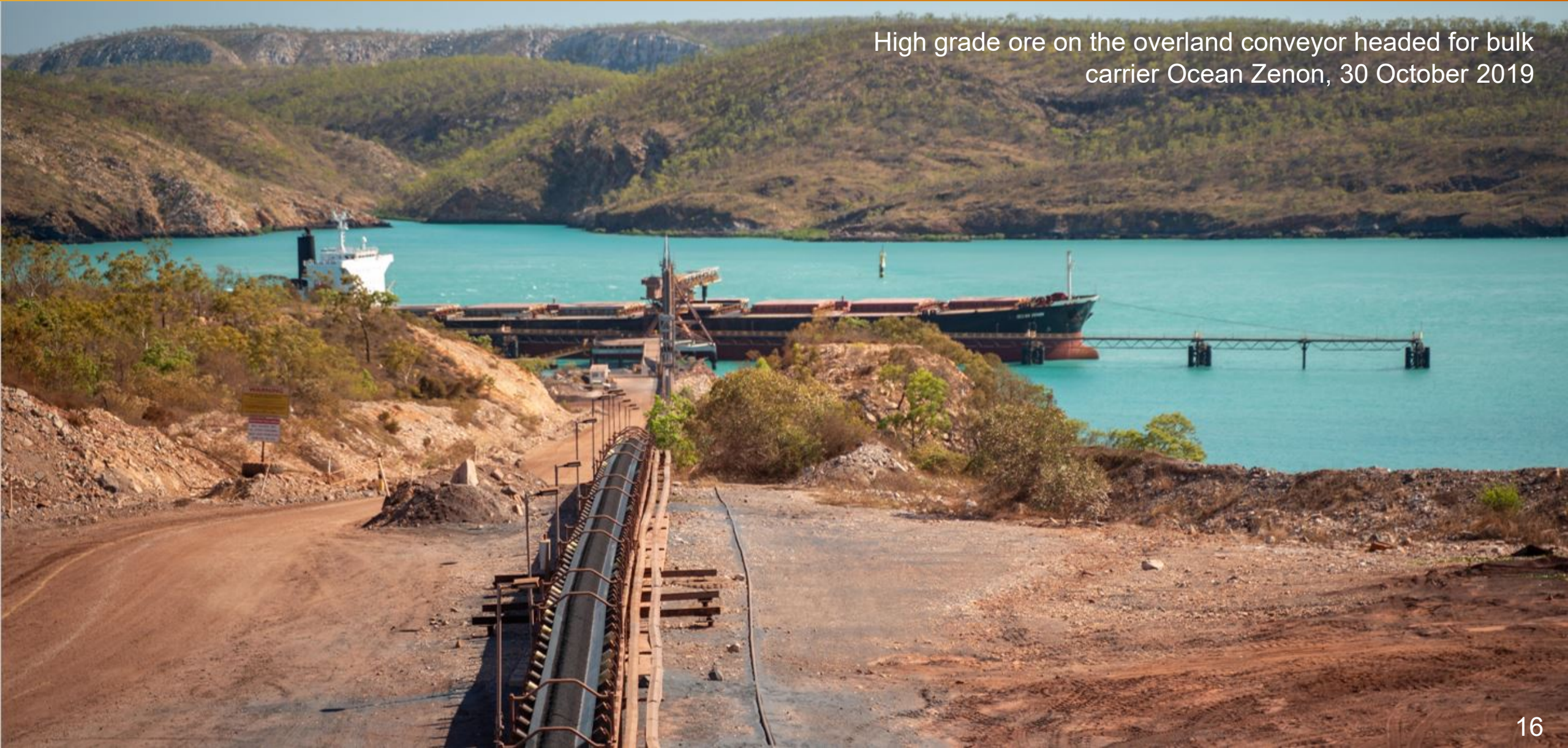


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Koolan Island ramp-up progressing



High grade ore on the overland conveyor headed for bulk carrier Ocean Zenon, 30 October 2019



- **Mid-West operations** – complete the current low-grade sales program and extend the program should favourable market prices continue. Thereafter, transition the site to final closure.
- **Koolan Island** – complete the ramp-up of ore production and sales in line with the mine plan to maximise cashflow and capitalise on favourable market conditions.
- **Cost reductions** - continue to drive for sustainable cost improvements.
- **Growth projects** - continue the search for acquisition/growth opportunities.
- **Treasury returns** - maintain an appropriate yield on the Group's cash/investment reserves.

Guidance for 2019/20

Total iron ore sales	3.7 - 4.0 Mwmt
Koolan Island DSO sales	2.7 - 3.0 Mwmt at cash cost of A\$72 - 77/wmt
Mid-West low grade sales	+1.0 Mwmt at cash cost of A\$40 - 45/wmt
All-in group cash cost	A\$70 - 75/wmt

Notes:

- Mwmt = million wet metric tonnes.
- Site cash costs are reported FOB and comprise operating costs, sustaining capital expenditure (including capitalised waste stripping), royalties and corporate cost allocations.
- Group cash costs are reported FOB and include all operating costs, sustaining capital expenditure, royalties and corporate costs.

- Mount Gibson 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 iron ore market conditions.
- Ability to generate **positive operating cashflows** in a volatile pricing environment.
- **Robust balance sheet** – Significant cash/investment reserves and no borrowings providing operational flexibility and the ability to pursue internal and external growth opportunities.
- Desired **growth focus** in steel sector bulks (iron ore and metallurgical coal) and base metals, with a preference for Australia and other lower risk jurisdictions.
- **Experienced management team** with a range of operating, commercial and corporate capabilities.

Thank You



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13 November 2019

Supplementary Information

Mineral Resources and Ore Reserves Information at 30 June 2019



Koolan Island					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	3.71	60.2	13.29	0.30	0.007
Indicated	37.51	65.1	5.48	0.65	0.013
Inferred	9.97	60.6	12.21	0.59	0.013
Total at 30 June 2019	51.18	63.9	7.33	0.62	0.013
<i>Total at 30 June 2018</i>					
Ore Reserves, above 50% Fe					
Proved	0.08	63.3	7.28	1.11	0.013
Probable	20.22	65.5	4.55	0.88	0.012
Total at 30 June 2019	20.3	65.5	4.56	0.88	0.012
<i>Total at 30 June 2018</i>	<i>21.0</i>	<i>65.5</i>	<i>4.58</i>	<i>0.89</i>	<i>0.012</i>
Extension Hill					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
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
Total at 30 June 2019	1.79	55.8	9.53	2.44	0.074
<i>Total at 30 June 2018</i>	<i>1.79</i>	<i>55.8</i>	<i>9.53</i>	<i>2.44</i>	<i>0.074</i>
Iron Hill					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured					
Indicated	2.65	55.0	13.94	1.74	0.074
Inferred	1.07	55.0	9.86	2.61	0.081
Total at 30 June 2019	3.72	55.0	12.76	1.99	0.076
<i>Total at 30 June 2018</i>	<i>5.17</i>	<i>56.2</i>	<i>11.73</i>	<i>1.79</i>	<i>0.076</i>
Tallering Peak					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
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
Total at 30 June 2019	1.65	57.9	11.10	2.15	0.069
<i>Total at 30 June 2018</i>	<i>1.65</i>	<i>57.9</i>	<i>11.10</i>	<i>2.15</i>	<i>0.069</i>
Shine					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
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
Total at 30 June 2019	15.89	58.1	9.57	1.48	0.071
<i>Total at 30 June 2018</i>	<i>15.89</i>	<i>58.1</i>	<i>9.57</i>	<i>1.48</i>	<i>0.071</i>

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

Total Group Mineral Resources and Ore Reserves at 30 June (above 50% Fe)					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Total Mineral Resources at 30 June 2019	74.2	61.8	8.25	0.95	0.031
Total Ore Reserves at 30 June 2019	20.3	65.5	4.56	0.88	0.012
<i>Total Mineral Resources at 30 June 2018</i>	<i>76.4</i>	<i>61.8</i>	<i>8.23</i>	<i>0.95</i>	<i>0.032</i>
<i>Total Ore Reserves at 30 June 2018</i>	<i>21.0</i>	<i>65.5</i>	<i>4.58</i>	<i>0.89</i>	<i>0.012</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

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. Elizabeth Haren was a full-time employee of, and is a consultant to, Mount Gibson Iron Limited. Elizabeth Haren 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'. Elizabeth Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Ore Reserves:

The information in this report relating to Ore Reserves at Koolan Island is based on information compiled by Brett Morey, 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.