

# MGX

Sydney 28 November 2013

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# MGX: At a glance



**Member S&P/ASX-200**

**Market cap \$1.2 billion**

\*@ \$1.10/share , 26/11/2013. 1,090.6m shares on issue

**Dividends paid**

**\$130m since Sept 2011**

**FY14 sales guidance**

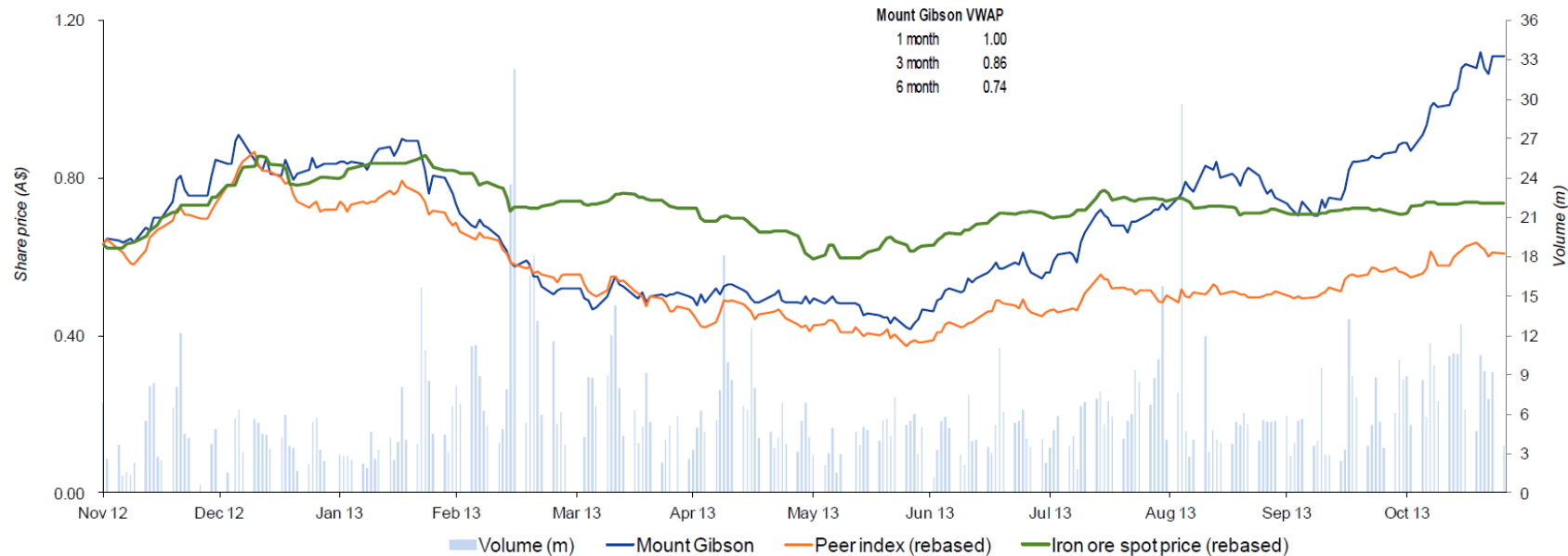
**9.0 to 9.5Mt**

**Financially strong**

**\$420m cash  
minimal debt**

As at 30 Sept 2013

## RECENT SHARE PRICE PERFORMANCE (last 12 months)



# Business overview



## Koolan Island Mine

- Premium DSO lump and fines
- Ramping up to 4 Mtpa by end 2014
- Long life asset with life extension potential
- Simple logistics

## Mid West Region

Talling Peak, Extension Hill & Geraldton Port facilities

### Talling Peak

- Mine life extended to mid 2014
- Targeting ~2.5 Mt DSO sales in FY2014

### Extension Hill

- Low cost 3 Mtpa operation
- High potential near mine and regional exploration targets

Upgrades to Geraldton port and rail infrastructure have doubled MGX export capacity from the Mid West to 6Mtpa

# Maximising value – a simple strategy



Leverage off  
existing asset  
base to extract  
maximum value

- Cost reduction and elimination of waste
- Operational optimisation and business improvement
- Extension of production profile:
  - Optimise resources and reserves inventory
  - Brownfields exploration
  - Expand footprint within operational halo
  - Leverage off existing operations, logistics footprint, and customer relationships
- Capitalise on balance sheet strength to secure value creation opportunities



# Maximising value – FY2013 in review



Extracting  
maximum value  
from existing  
asset base

- Record ore sales of 8.8 Mwmt, up 68%
- Cash increased 28% to \$376m at 30 June 2013
- Record sales revenue of \$852.9m, up 32%
- Net profit after tax of \$157.3m
- Net operating cash flow up 220% to \$179.7m
- Fully franked full year payout 4.0 cps maintained
- \$130m in dividends paid since Sept 2011
- Minimal debt
- Increased total Ore Reserves to 45Mt @ 62.1%Fe\*

*\* As at 30 June 2013. Refer slide 20 and ASX releases 9 October 2013 and 21 October 2013*



# Maximising value – key underlying achievements



- ✓ Completed executive team rebuild
- ✓ Achieved permanent ongoing savings of ~\$50m per annum
- ✓ Optimised and implemented detailed Koolan Island ramp-up plan to 4 Mtpa
- ✓ Reduced Koolan Island unit mining costs to ~\$8/t moved in Sept Qtr 2013, ~\$6/t lower than in Sept Qtr 2012
- ✓ Commenced Acacia East pit development at Koolan Island
- ✓ Ramped-up Extension Hill sales and logistics chain to maximum capacity
- ✓ Extended Talling Peak life by a year, T1 defined and developed in under 18 months
- ✓ Rejuvenated exploration strategy and increased landholding by ~70% to 630 sqkm



# Maximising value – a strong start to FY2014



## Robust Sept Quarter performance

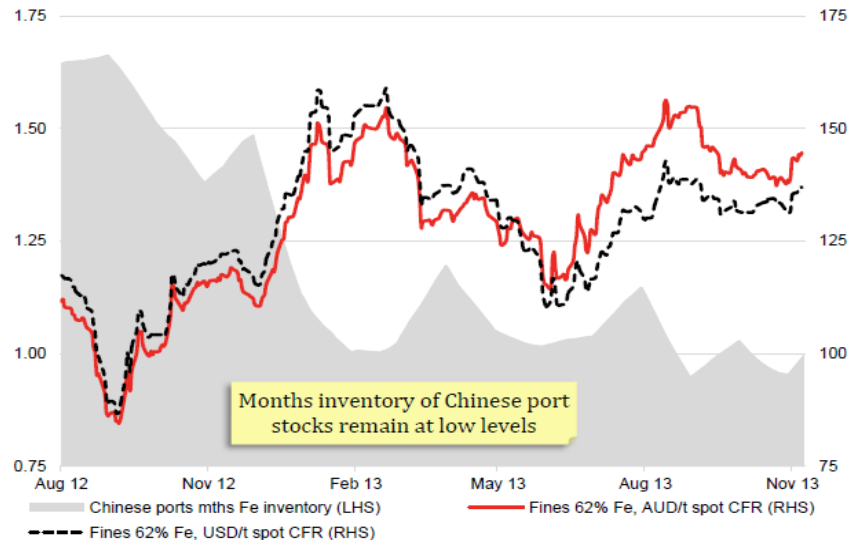
- Cash increased to \$420m at 30 Sept
- Group ore sales increased to 2.6 Mwmt
- Koolan sales increased to 1.1 Mwmt
- Mid West sales of 1.5 Mwmt\*
- On track to achieve 9.0 – 9.5 Mwmt in FY14
- Healthy Chinese growth outlook
- Platts iron ore price @ ~US\$135/t CFR (62%Fe)
- AUD @ US\$0.915 with potential to ease

\*Sept Qtr sales included 160kt of ad-hoc mine-gate sales. No further mine-gate sales have occurred since or are currently scheduled.

# Market outlook is also positive



## IRON ORE PRICES REMAIN STRONG, WITH LITTLE ROOM FOR FURTHER DESTOCKING



Source: Bloomberg, Wilson HTM

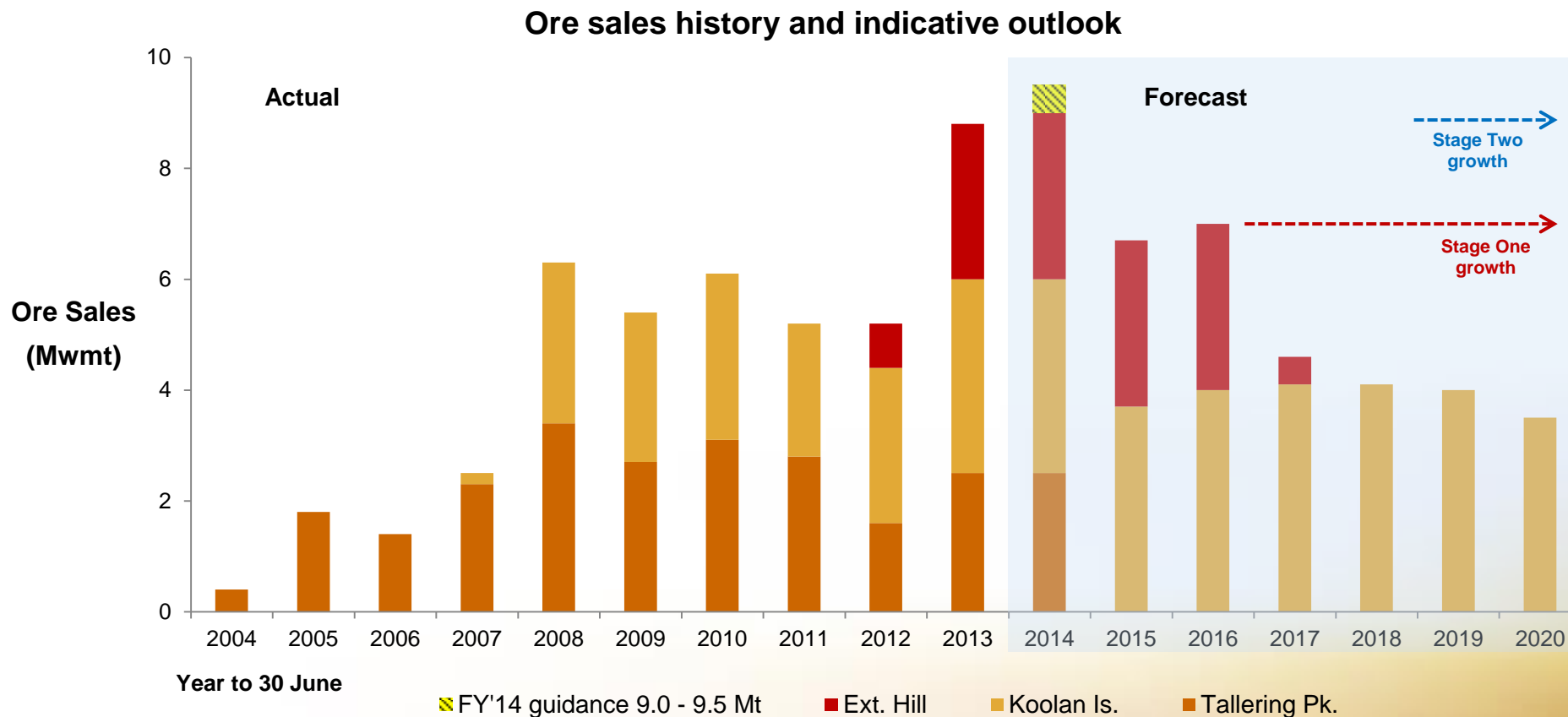
## And in the long term...

- the outlook for underlying iron ore demand growth remains healthy
- planned supply side increases historically take much longer and deliver smaller volume increases than originally proposed
- the Australian dollar is expected to continue to soften towards a long term average of  $\leq$ US\$0.90
- MGX will benefit from comparatively stronger A\$ iron ore prices and lower A\$ costs

## In the short term...

- ore inventories at Chinese ports remain low and have not recovered from destocking in 2012
- Chinese steel mill production remains at historic highs
- Chinese economic growth is forecast to remain healthy at  $\sim$ 7% pa on a larger base
- potential for substantial short term destocking is limited

# Maximising value – sales profile to 2020



*\*Forecast ore sales are indicative only, and include all products except lower grade ore from Extension Hill stockpiles, which totalled 1.9Mt at 30 Sept 2013 with a further 2.4Mt to be stockpiled over the mine life. Actual future sales remain subject to future mine performance, continuous optimisation, exploration success and general market factors.*

# Koolan Island – a quality asset with upside



- Long life asset: +7 years
- Sought-after high-quality iron ore products
- Simple logistics - dedicated shiploader and no road or rail
- Optimised ramp up to 4Mtpa - reducing unit mining costs and increasing productivity
- Value-add opportunities:
  - Resource: reserve conversion potential
  - West End targets
  - Koolan South mainland exploration



# Koolan Island - a quality asset with upside



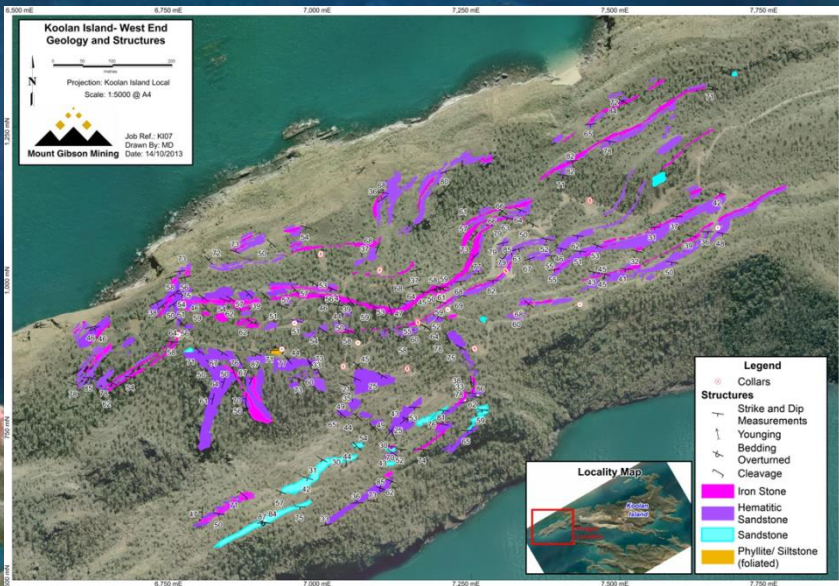
West End  
exploration  
targets



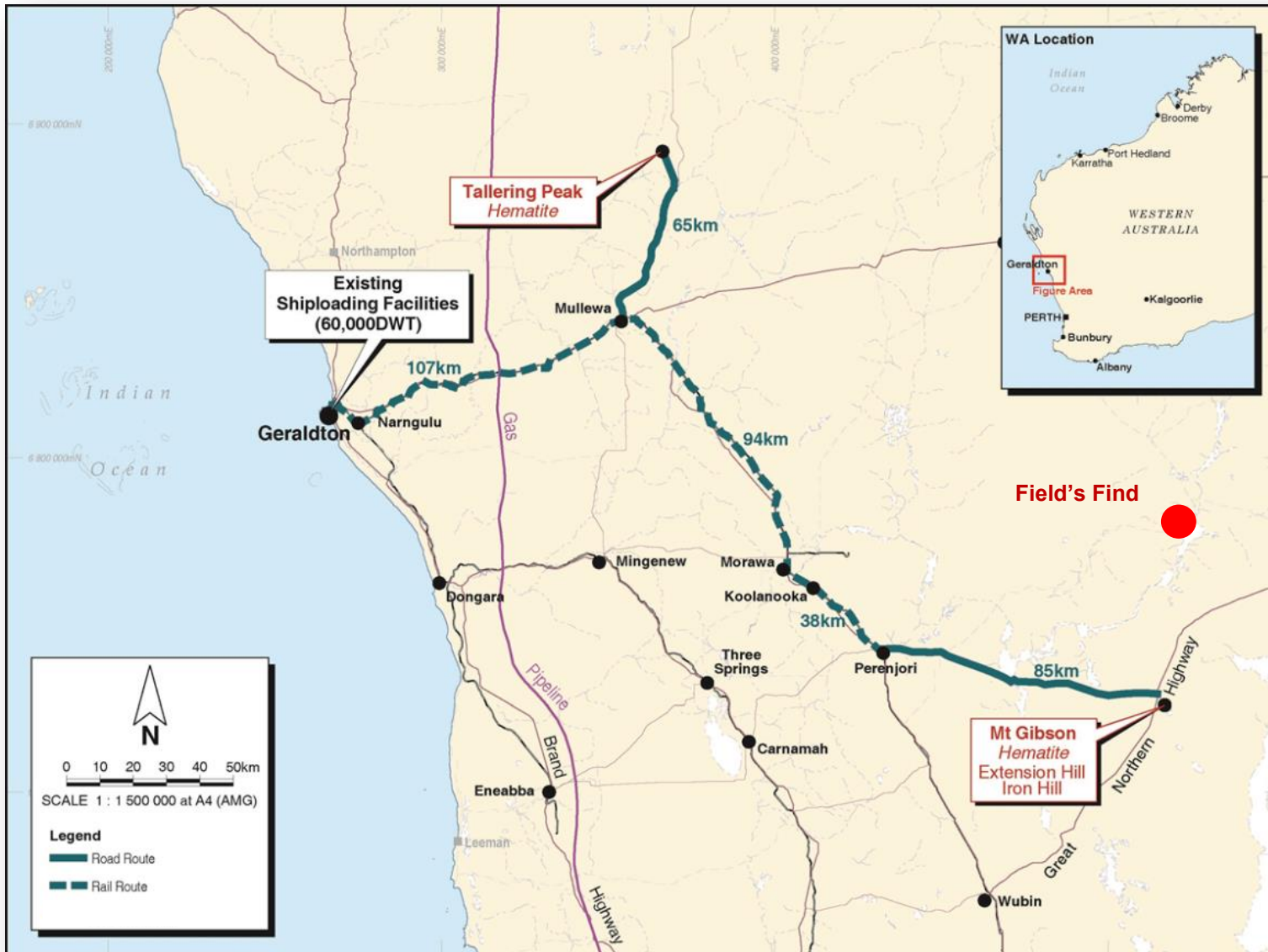
Acacia East  
deposit



Main Pit



# Mid West footprint – a competitive edge



# Geraldton Port – established infrastructure



# Tallering Peak – extracting extra value



- Total ore sales of 2.5Mt targeted for FY2014
- T6 pit life extended to January 2014
- T1 ore production commenced in September 2013
- Mining operations to conclude mid 2014
- Stockpile sales of ~700kt in FY2014, final sales in Sept Qtr
- Stockpile sales generate strong cash margins at current prices



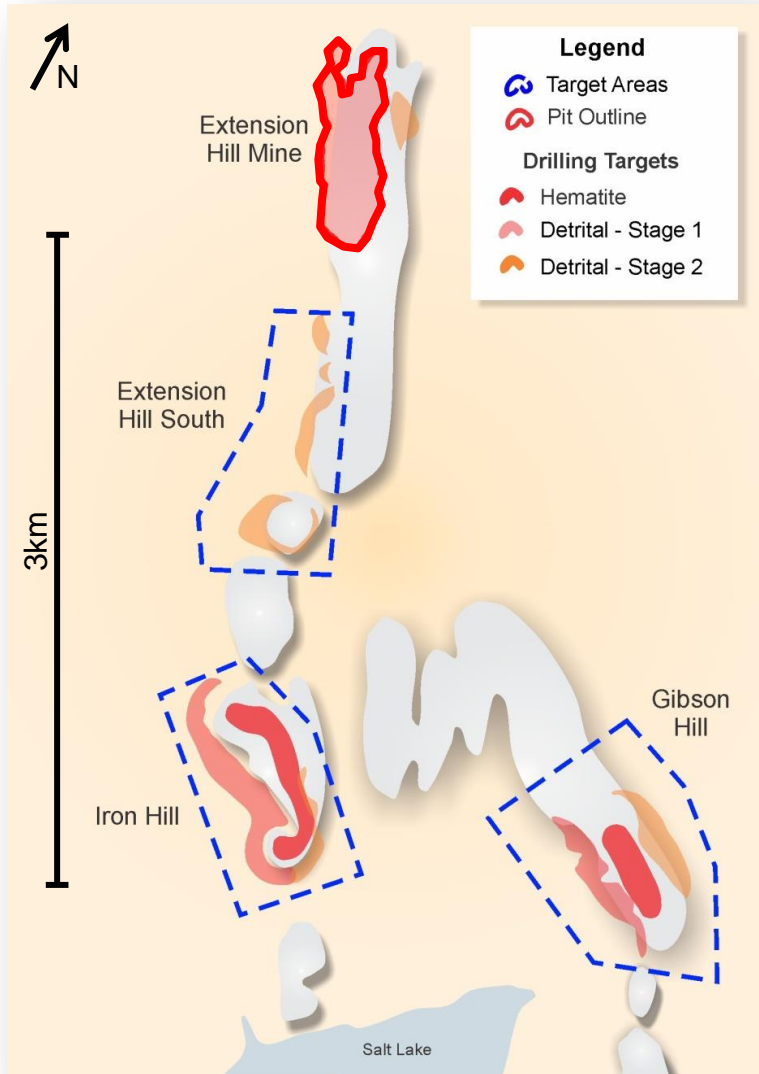
# Extension Hill – simple low-cost operation



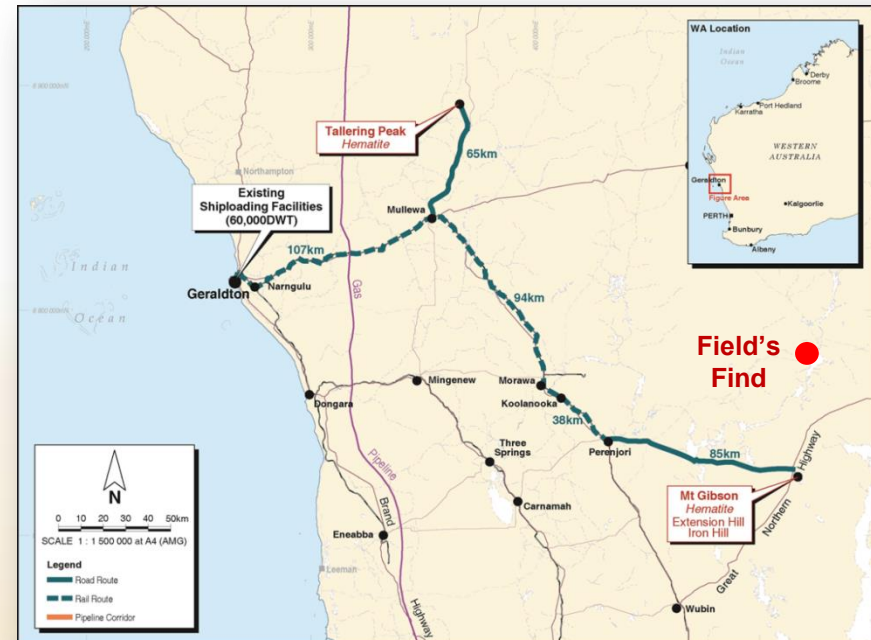
- Simple low-cost operation
- 3Mtpa operation with +3 years of mine life.
- Established road, rail and port solutions
- High potential near-mine exploration targets with known mineralisation
- Potential processing hub for regional opportunities



# High potential to extend in the Mid West



- Extension Hill South DSO targets located 1-3km from existing crusher, with known mineralisation
- Initial drilling approval received for Extension Hill South in late September
- Iron Hill prospect drilling to commence this quarter
- Field's Find located 60km north of Extension Hill, drilling commenced late October



# Summary



- An established mid-cap iron ore producer, on track to sell 9.0 - 9.5 million tonnes in FY2014
- Strong operating cashflows and balance sheet
- Supportive major shareholders
- Established transport infrastructure and long term customer contracts
- Exploration upside and disciplined value-focused growth strategy
- Experienced management team with demonstrated capacity to:
  - Optimise and drive operations to extract maximum value
  - Reduce costs and eliminate inefficiencies
  - Bring on new deposits in quick time



# Thank you

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# Supplementary information

## Mineral Resources and Ore Reserves at 30 June 2013

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	8.4	59.7	12.72	1.14	0.02
Indicated	44.6	64.5	6.21	0.77	0.01
Inferred	15.4	60.7	12.15	0.60	0.01
<b>Total</b>	<b>68.5</b>	<b>63.0</b>	<b>8.35</b>	<b>0.78</b>	<b>0.01</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	4.2	59.5	14.18	0.37	0.01
Probable	26.0	64.8	5.70	0.82	0.01
<b>Total</b>	<b>30.2</b>	<b>64.0</b>	<b>6.89</b>	<b>0.76</b>	<b>0.01</b>
Extension Hill					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	10.5	58.0	6.50	2.24	0.06
Indicated	4.1	58.1	9.06	1.61	0.07
Inferred	0.3	52.9	10.71	5.46	0.05
<b>Total</b>	<b>14.8</b>	<b>57.9</b>	<b>7.28</b>	<b>2.12</b>	<b>0.06</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	9.7	58.1	6.54	2.18	0.06
Probable	3.1	58.9	8.92	1.23	0.06
<b>Total</b>	<b>12.8</b>	<b>58.3</b>	<b>7.12</b>	<b>1.96</b>	<b>0.06</b>
Tallering Peak					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	2.0	60.0	5.53	3.27	0.04
Indicated	3.1	57.9	10.12	2.40	0.05
Inferred	0.3	54.7	15.56	2.99	0.05
<b>Total</b>	<b>5.4</b>	<b>58.5</b>	<b>8.72</b>	<b>2.76</b>	<b>0.04</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	0.5	59.8	6.39	2.91	0.05
Probable	1.6	58.1	10.93	1.88	0.04
<b>Total</b>	<b>2.1</b>	<b>58.5</b>	<b>9.81</b>	<b>2.14</b>	<b>0.04</b>
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

## Total Group Mineral Resources and Ore Reserves at 30 June 2013

Total Group Mineral Resources and Ore Reserves at 30 June 2013					
(above 50% Fe)	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources</b>	88.6	61.9	8.19	1.12	0.02
<b>Ore Reserves</b>	45.2	62.1	7.09	1.16	0.03
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

### Attributions

The information in this report that relates to Exploration Results is based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Iron Limited group, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gregory Hudson has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.

The information in this report relating to Mineral Resources is based on information compiled by Elizabeth Haren, who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. 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 the report of the matters based on her information in the form and context in which it appears. Elizabeth Haren was a full-time employee of, and is a consultant to Mount Gibson Mining Limited. The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting.

The information in this report relating to Ore Reserves is based on information compiled by Weifeng Li, who is a member of the Australasian Institute of Mining and Metallurgy. Weifeng Li 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'. Weifeng Li consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Weifeng Li is a consultant to Mount Gibson Mining Limited.

Refer ASX release 21 October 2013 for full details of Mineral Resources and Ore Reserves.