FY2018 Financial Results

Mount Gibson Iron

Investor Presentation
15 August 2018

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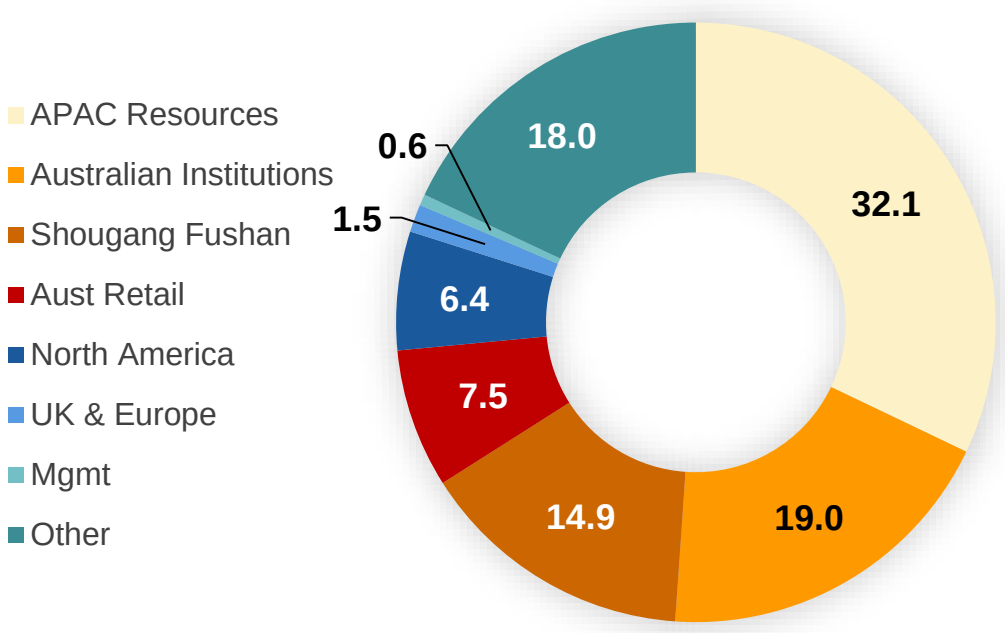
Mount Gibson Iron
Corporate Overview

• Issued capital	1099.6 million shares
• Market cap[1]	A$500 million
• Cash and investments[2]	A$457 million
• Total debt[2]	Nil
• Index	ASX All Ordinaries

Shareholder Distribution (% ISC)

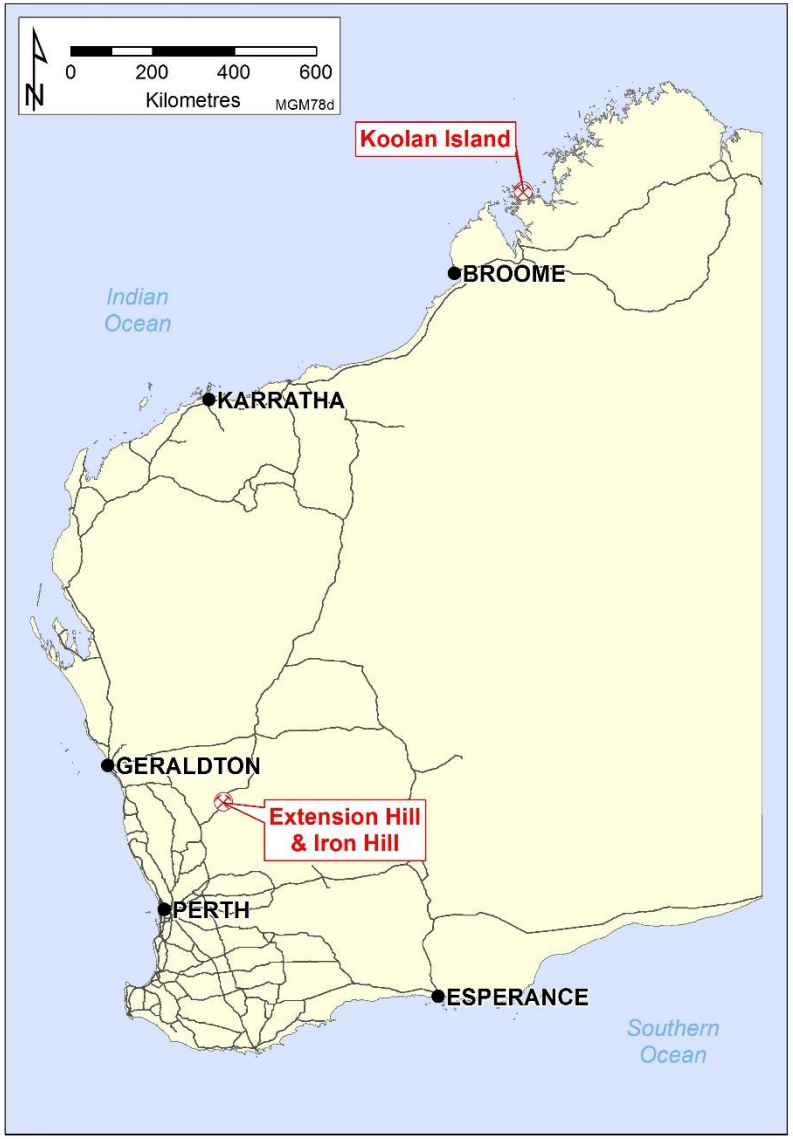


Board and Management

- Lee Seng Hui – *Non-executive Chairman*
- Simon Bird – *Independent Non-executive Director*
- Russell Barwick– *Independent Non-executive Director*
- Paul Dougas – *Independent Non-executive Director*
- Alan Jones – *Independent Non-executive Director*
- Li Shaofeng – *Non-executive Director*
- Jim Beyer - *CEO*
- Peter Kerr - *CFO*
- David Stokes - *Co Secretary & General Counsel*
- Scott de Kruijff - *GM Operations*

Notes:
1 Share price of $0.455 as at 14 August 2018.
2 As at 30 June 2018.

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 +80% complete.
- On track for first ore sales in March 2019 Quarter.

Mid-West Region

Extension Hill and Iron Hill

- Total Mid-West ore sales of 3.6 Mwmt in FY2018.
- Iron Hill mine sales commenced June 2017, 3.2 Mwmt sold in FY2018.
- 0.4 Mwmt low grade lump sold from Extension Hill stockpiles.
- Planned remaining DSO sales of 2.0-2.3 Mwmt in FY2019.
- Mining on track for completion in late 2018, followed by final ore sales in early 2019.

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

FY2018
Overview

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

- Total product sales **3.6 Mwmt*** for sales revenue of **$196.5 million FOB.**
- Underlying operating cashflow from continuing operations of **$34.9 million**.
- Gross profit from continuing operations of **$48.7 million.**
- Net profit after tax of **$99.1 million** including $64.3 million insurance settlement proceeds.
- Cash, term deposits and tradeable investments of **$457.5 million** at 30 June 2018, up $10.8 million over the year, after Koolan Island capital expenditure of $82 million.
- All-in group cash costs** of **$45/wmt** FOB, 13% lower than prior year ($52/wmt).
- Iron Hill mining on track for completion in late 2018, DSO ore sales to conclude early 2019.
- Right earned to a future income stream based on third party rail volumes, commencing on completion of current rail contract and capped at approximately $35 million.
- High-grade Koolan Island Mine Restart Project +80% complete, on track to commence ore sales in March 2019 Quarter.
- Sales guidance for 2018/19 of **2.7-3.3 Mwmt** at all-in group cash cost** of **$52-57/wmt FOB**.
- Fully franked final dividend of **3.0 cents per share**.

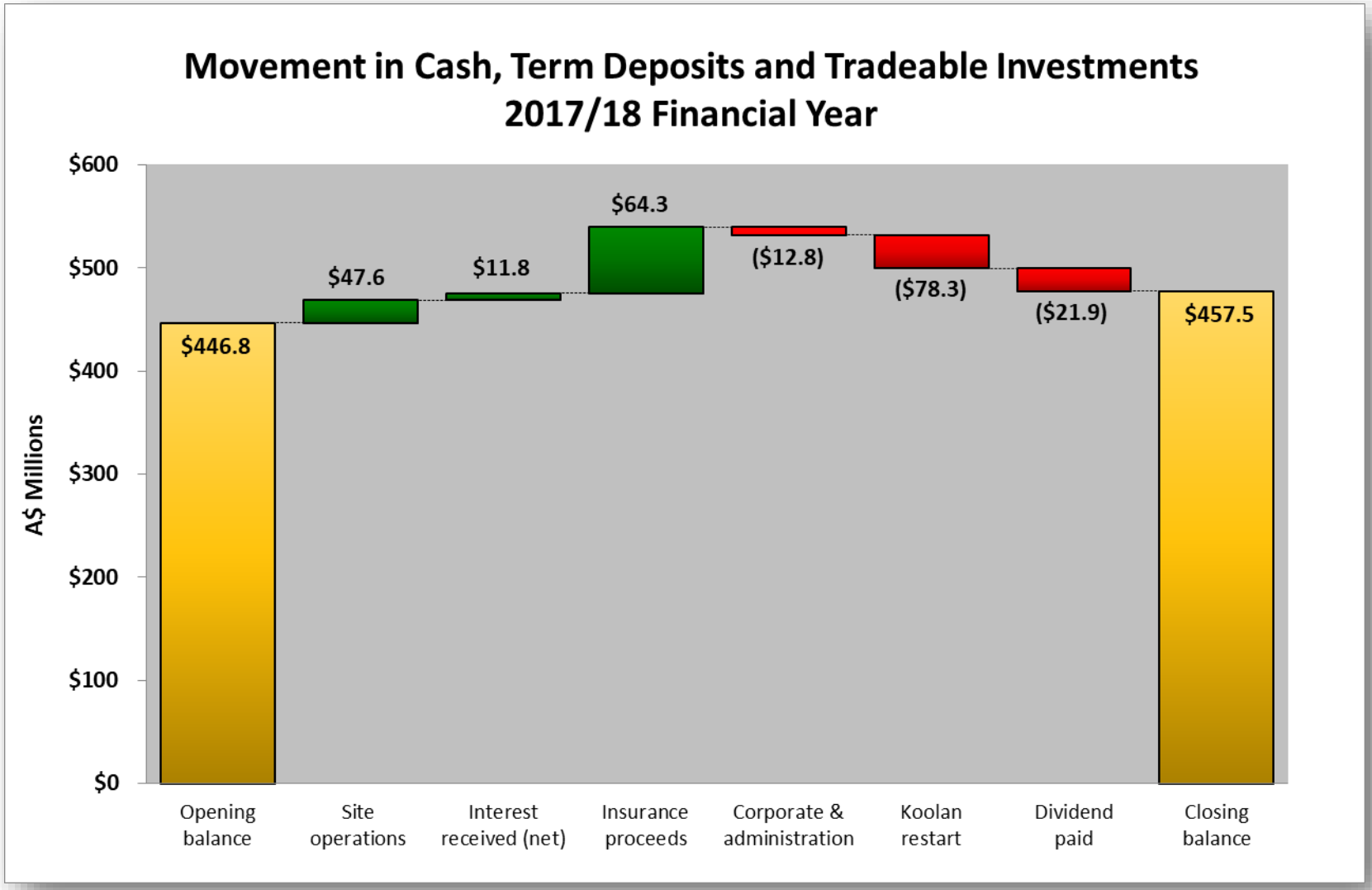
* Million wet metric tonnes.
**All-in group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs, excluding development capital related to the Koolan Island restart project.

FY2018
A solid performance during operational transition

Group Summary Results		Year ended 30 June 2018	Year ended 30 June 2017
Physicals (continuing & discontinued operations):			
Ore mined	*M wmt*	4.1	1.9
Ore sold	*M wmt*	3.6	3.2
Realised Price (continuing & discontinued operations):			
Average realised price, all products, before shipping freight	*$/wmt*	70	63
Continuing Operations (Extension Hill & Koolan Island):			
Sales revenue, before shipping freight	*$m*	254.1	182.7
Interest income	*$m*	12.1	12.1
Cost of sales, including shipping freight	*$m*	(217.5)	(158.3)
Gross profit from continuing operations	*$m*	**48.7**	**36.5**
Koolan Island business interruption insurance proceeds	*$m*	64.3	-
Other income	*$m*	2.2	5.9
Administration and other expenses	*$m*	(14.8)	(17.1)
Finance costs	*$m*	(1.3)	(1.1)
Profit before tax from continuing operations	*$m*	**99.1**	**24.1**
Income tax benefit	*$m*	-	1.5
Profit after tax from continuing operations	*$m*	**99.1**	**25.6**
Discontinued Operations (Tallering Peak):			
Sales revenue, before shipping freight	*$m*	-	16.1
Cost of sales, including shipping freight	*$m*	-	(15.4)
Profit after tax from discontinued operations	*$m*	**-**	**0.7**
Net profit after tax	*$m*	**99.1**	**26.3**

Totals may not add due to rounding.

FY2018
Cash, Term Deposits & Tradeable Investments



*Figures are shown net of working capital movements.

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 in 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	
Iron ore sales	2.7 – 3.3 Mwmt
Site cash cost – Mid West	$38 – 42/wmt
Site cash cost – Koolan Island, after first sales	$70 - 75/wmt
All-in group cash cost (excl. Koolan capital)	$52 - 57/wmt
Koolan Island capital spend, to first sales*	~$85 million

Note:
- 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.

* Comprises remaining capital spend and pre-production costs prior to the commencement of ore sales.

Mid West
Extension Hill and Iron Hill

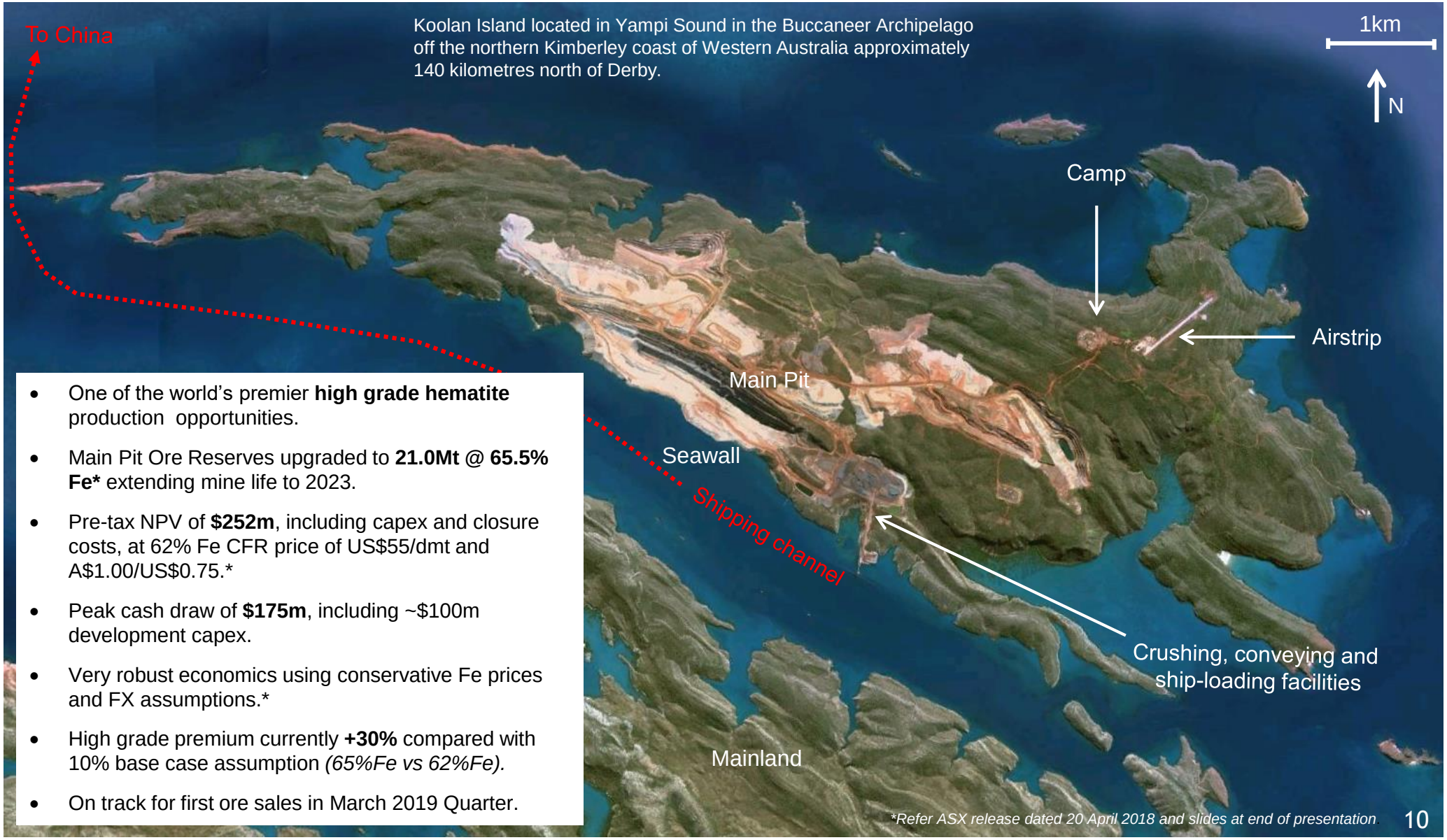
- Total ore sales from Extension Hill/Iron Hill of **3.6 Mwmt** in FY2018.
- Iron Hill sales of **3.2 Mwmt** at site cash cost of **$42/wmt** FOB^ in FY2018.
- Opportunistic sales of **0.4Mwmt** of low grade lump from Extension Hill stockpiles in FY2018.
- Forecast remaining Iron Hill DSO sales of **2.0 – 2.3 Mwmt** at projected site cash costs^ of **$38-42/wmt** FOB in FY2019.
- Mining on track for completion in late 2018, ore sales to conclude in early 2019, followed by transition to closure.
- High lump yield (+50%).
- Lump averages +60% Fe, fines typically ~59% Fe.
- Current market conditions realising a 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.

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

Koolan Island Mine Restart

A premier high grade iron ore opportunity

Mount Gibson Iron



- 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.
- Very robust economics using conservative Fe prices and FX assumptions.*
- High grade premium currently **+30%** compared with 10% base case assumption *(65%Fe vs 62%Fe).*
- On track for first ore sales in March 2019 Quarter.

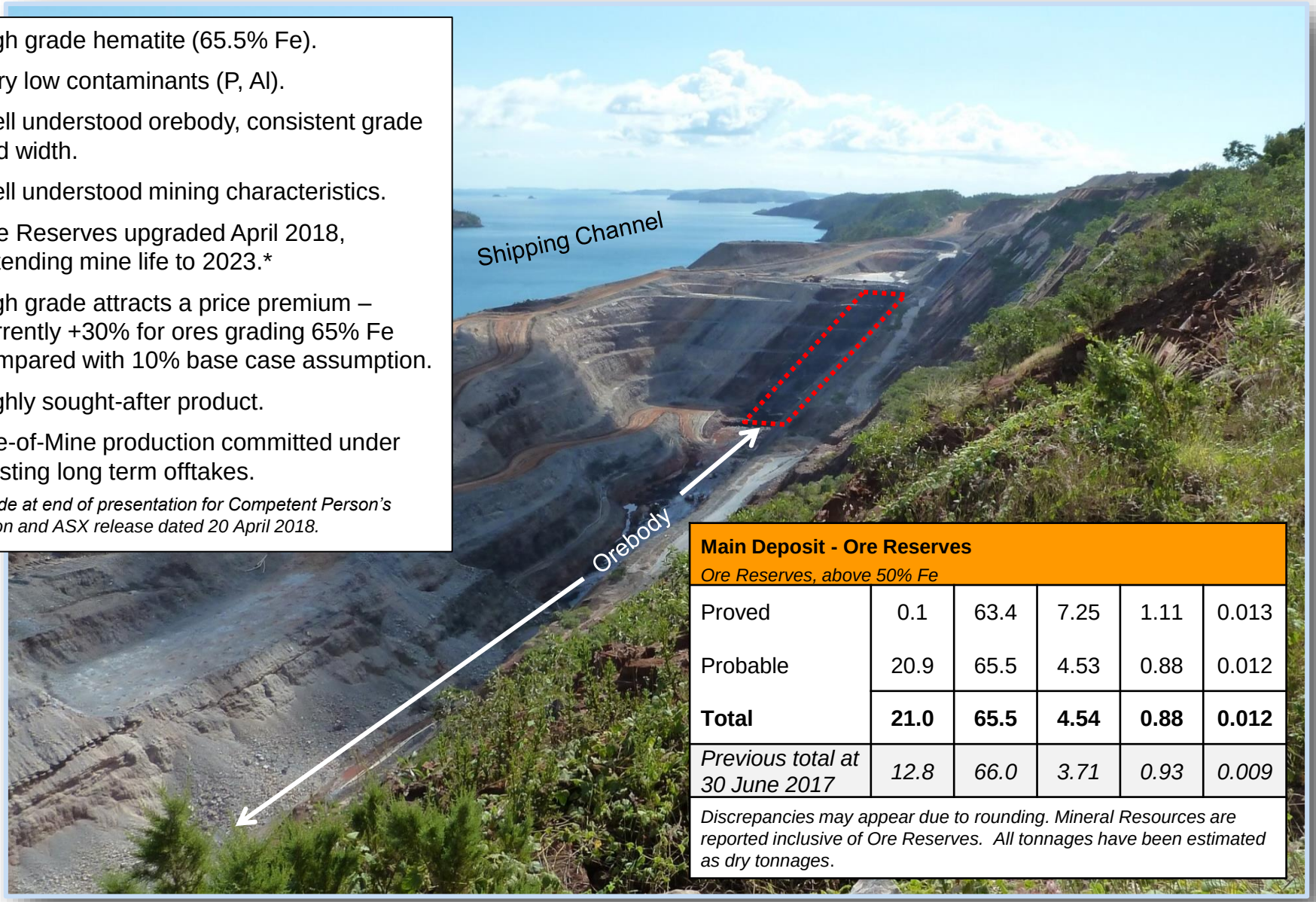
**Refer ASX release dated 20 April 2018 and slides at end of presentation.*

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 +30% 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.*

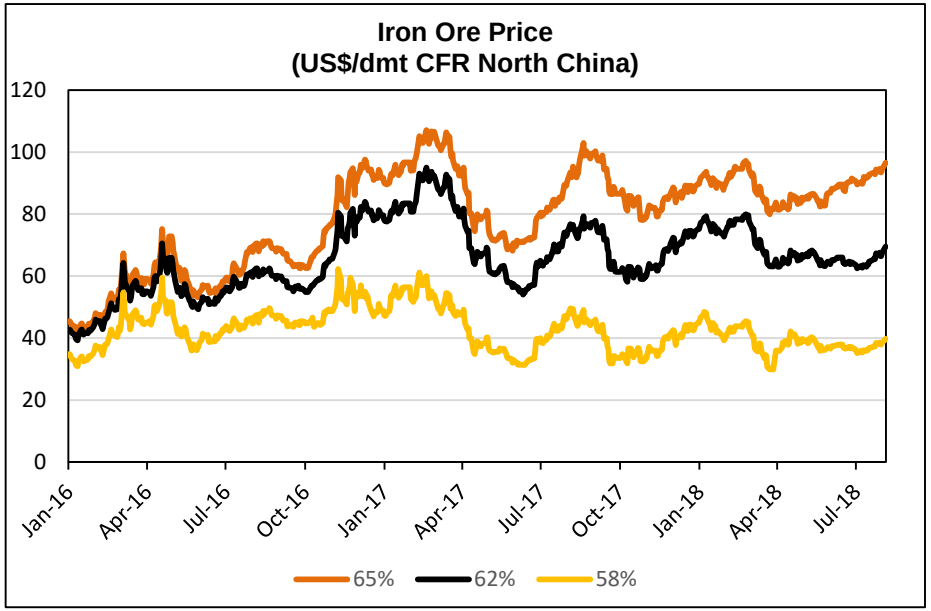


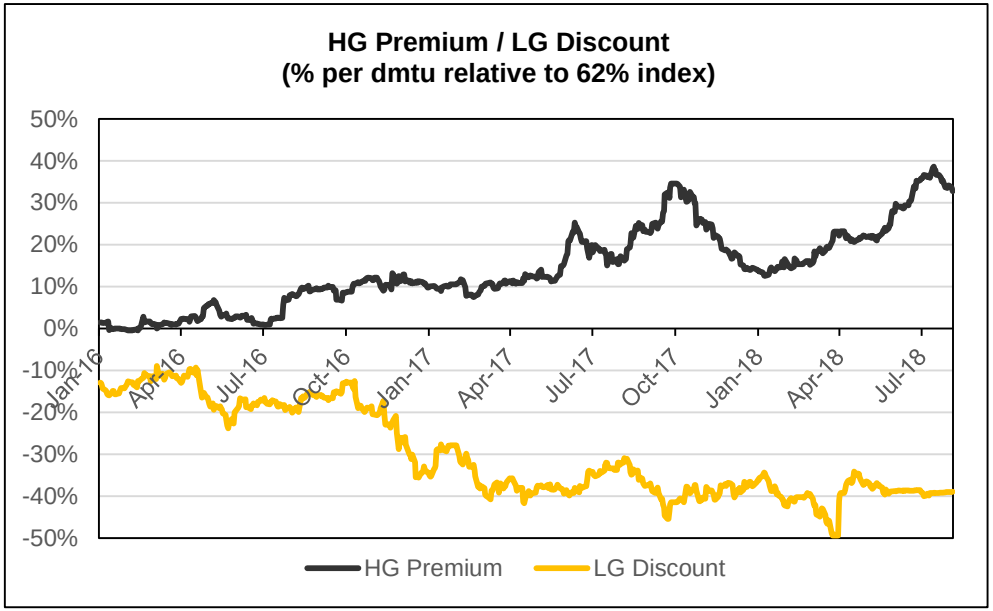
Main Deposit - Ore Reserves *Ore Reserves, above 50% Fe*					
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
Total	**21.0**	**65.5**	**4.54**	**0.88**	**0.012**
Previous total at 30 June 2017	*12.8*	*66.0*	*3.71*	*0.93*	*0.009*

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

Koolan Island Mine Restart

High grade premium is a game changer and here to stay





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

- 65% Fe premium currently ~32% per dry metric tonne unit (dmtu) of contained iron relative to 62% Fe price.
- Differential has steadily widened since early 2016 - gap between 65% and 58% price now +117% (~US$57/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 slides at end of presentation and ASX release dated 20 April 2018.*

Koolan Island Mine Restart
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#**
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#**
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.
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.

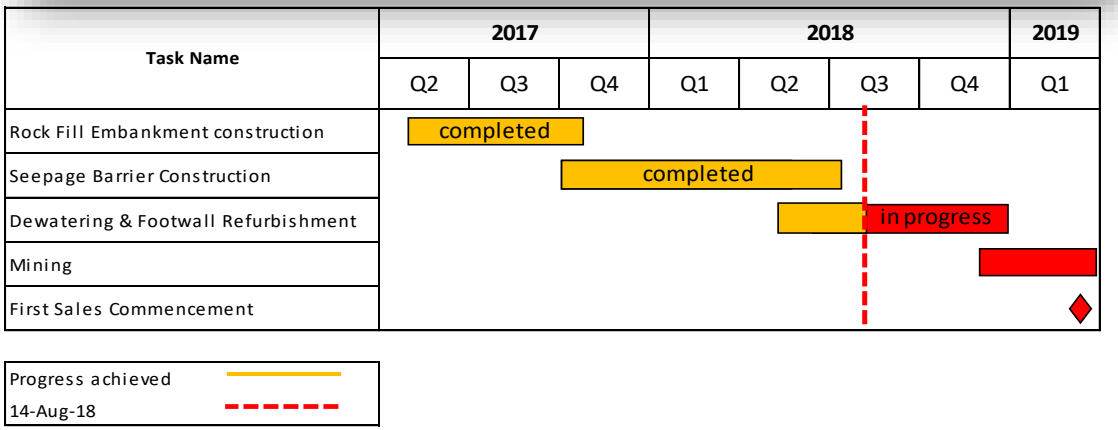
At base case assumptions: *(Platts 62% Fe of US$55/dmt CFR, USD:AUD FX rate of 0.75, 10% HG premium).*

- 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 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 **$800m** with IRR over **85%** at current spot prices.
  (Platts 62% Fe of US$69/dmt CFR, USD:AUD FX rate of 0.74 HG premium of 32%).

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 over 80% complete overall.
- On track for first ore sales in March 2019 Quarter.
- Seawall embankment construction commenced June 2017, completed September 2017.
- Concrete seepage barrier completed July 2018.
- Dewatering and footwall refurbishment underway, on track for completion in late 2018.
- Mining targeted to commence December 2018 Quarter.
- Projected high grade sales of 0.7-1.0 Mwmt in FY2019 as production commences ramp-up.



Koolan Island Mine Restart

Embankment commenced May 2017, completed September 2017

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Koolan Island Mine Restart

Seepage Barrier construction completed July 2018

Excavation of final seepage barrier panel - July 2018.
MGX and Keller personnel celebrate completion of the final panel.

Koolan Island Mine Restart
Footwall Refurbishment

Avalanche mesh installation on footwall, July 2018

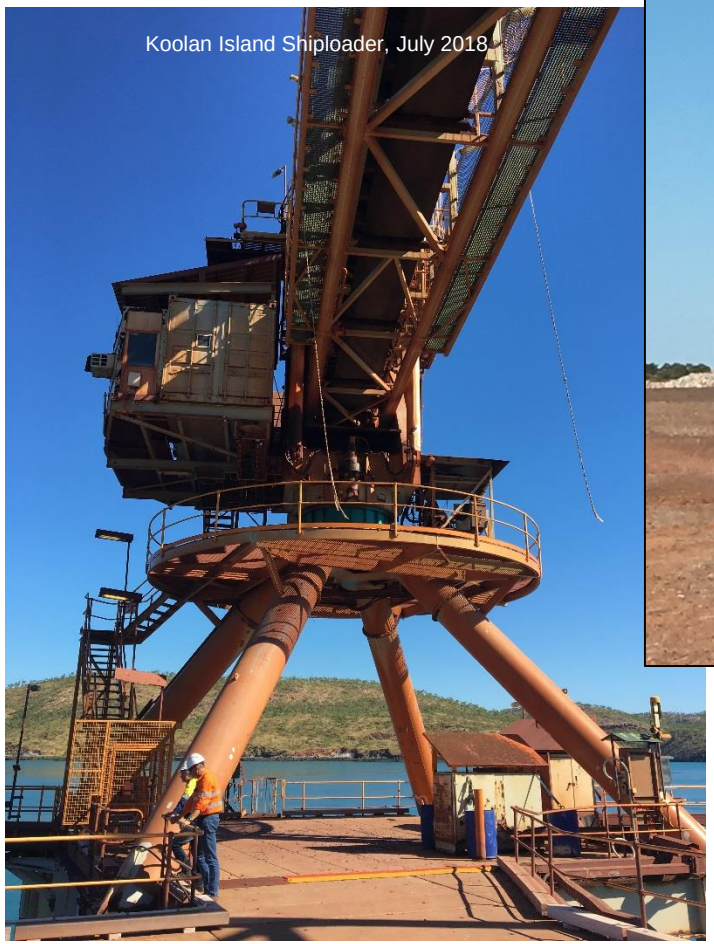
Koolan Island Mine Restart
Footwall Refurbishment

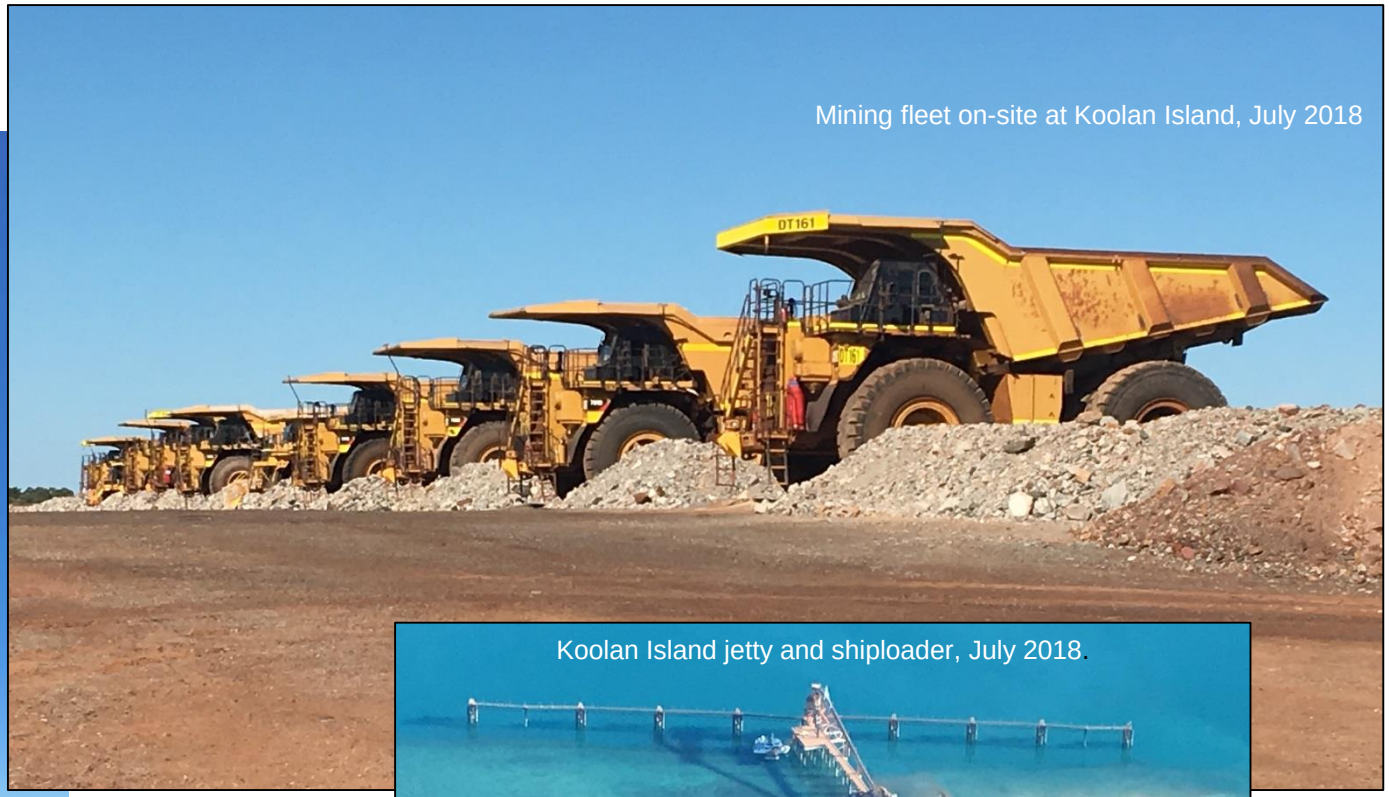
Deploying barge-mounted shotcreting equipment in Main Pit July 2018

Shotcreting of Main Pit Footwall, July 2018.

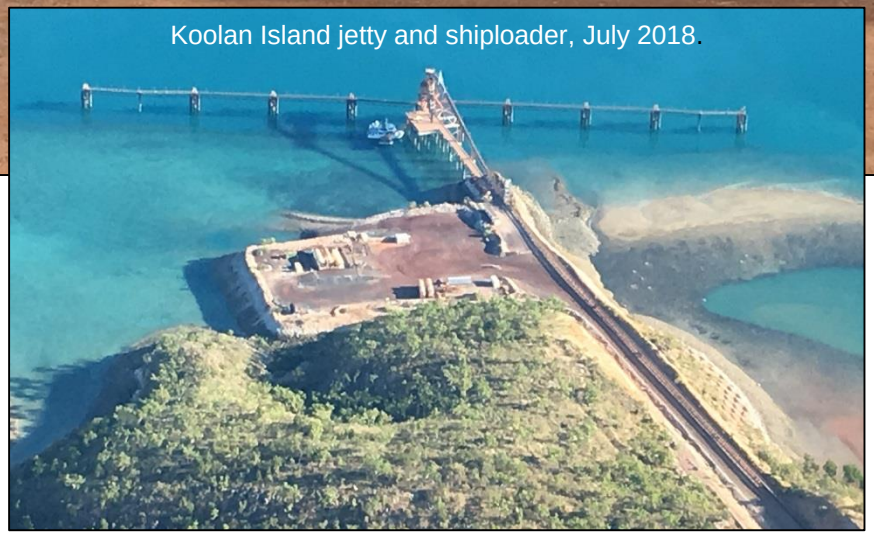
Koolan Island Mine Restart
Dewatering Underway

Koolan Island Mine Restart
Project Progress


Koolan Island Shiploader, July 2018.



Mining fleet on-site at Koolan Island, July 2018


Koolan Island jetty and shiploader, July 2018.

Mount Gibson Iron
Our strengths set us apart

- High Grade Koolan Island Restart Project represents a compelling investment that capitalises on the structural shift in favour of high grade ores.
- **MGX is the only Australian producer** that will provide direct exposure to high grade hematite (+65% Fe).
- Koolan Island Restart Project on track to commence high grade sales in March Quarter 2019.
- Sales from Iron Hill/Mid West provide a bridge to the commencement of high grade sales from Koolan Island.
- Robust balance sheet provides leverage and flexibility – cash and investment reserves of $457 million at 30 June 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 cashflow in a volatile price environment.
- Focused team with a broad range of operating and corporate experience.

FY2018 Financial Results

Mount Gibson Iron

Investor Presentation
15 August 2018

Supplementary Information
Cost of sales & cash costs

Mount Gibson Iron Limited Reconciliation of Cost of Sales to Cash Cost Information		Year ended 30-Jun-18	Year ended 30-Jun-17
Extension Hill (including Iron Hill)			
Cost of sales (excluding impairment & reversals), FOB	$'000	$162,318	$128,324
Depreciation & amortisation	$'000	$(5,669)	$(2,373)
Ore inventory movements, sustaining capital & other	$'000	$(3,901)	$5,581
Site all-in cash cost, FOB	$'000	**$152,748**	**$131,532**
Iron ore sold	'000 wmt	**3,622**	**2,751**
Cost of sales, FOB (rounded)	$ / wmt sold	$45	$47
Site all-in cash cost, FOB (rounded)	$ / wmt sold	**$42**	**$48**
Group			
Cost of sales, FOB - continuing operations (Extension Hill)	$'000	$159,876	$137,698
Cost of sales & other expenses, FOB - discontinued operations (Tallering Peak)	$'000	$0	$10,362
Cost of sales - all operations	$'000	$159,876	$148,060
Depreciation & amortisation	$'000	$(5,669)	$(5,440)
Corporate expenses (excluding non-cash items)	$'000	$14,243	$17,518
Ore inventory movements, sustaining capital & other	$'000	$(5,085)	$4,419
All-in Group cash cost (excluding Koolan restart capital)	$'000	**$163,365**	**$164,557**
Iron ore sold - continuing & discontinued operations	'000 wmt	**3,622**	**3,167**
All-in Group cash cost, FOB, excluding Koolan restart capital (rounded)	$ / wmt sold	**$45**	**$52**

Supplementary Information
Mineral Resources and Ore Reserves Information

Koolan Island Main Deposit at 20 April 2018					
Mineral Resources					
Mineral Resources, above 50% Fe	Tonnes millions	Fe %	SiO_2 %	Al_2O_3 %	P %
Measured	2.9	60.1	13.45	0.34	0.007
Indicated	33.5	65.7	4.61	0.67	0.011
Inferred	5.4	61.4	10.96	0.77	0.010
Total	41.9	64.8	6.06	0.66	0.011
Ore Reserves					
Ore Reserves, above 50% Fe					
Proved	0.1	63.4	7.25	1.11	0.013
Probable	20.9	65.5	4.53	0.88	0.012
Total at 20 April 2018	21.0	65.5	4.54	0.88	0.012
Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves. All tonnages have been estimated as dry tonnages.					

Iron Hill Deposit *at 30 June 2017**					
Mineral Resources, above 50% Fe	Tonnes millions	Fe %	SiO_2 %	Al_2O_3 %	P %
Indicated	1.23	60.6	8.64	0.94	0.050
Inferred	6.84	57.9	8.72	1.74	0.071
Total at 30 June 2017*	8.07	58.3	8.71	1.62	0.068
Discrepancies may appear due to rounding. All tonnages have been estimated as dry tonnages. *An updated Iron Hill Resource will be reported in Mount Gibson's 2018 Annual Statement of Mineral Resources and Ore Reserves.*					

Competent Persons Statements

Mount Gibson Iron Mineral Resources:
The information in this report relating to Mineral Resources for the Koolan Island Main Deposit and the Iron Hill Deposit 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.

Main Deposit 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. 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.