

# Mount Gibson Iron

Jim Beyer - CEO

UBS Iron Ore and Coal Conference  
Sydney 27 November 2012



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# A leading WA mid-tier iron ore exporter

## Established multi-operation exporter of quality Australian hematite ores to China

- ✓ Financial strength      Strong balance sheet/earnings provide flexibility and security in volatile conditions
- ✓ Leadership renewal      Rebuilt Board and Management  
Governance regime recognised by FIRB
- ✓ Quality assets      Established DSO operations with existing infrastructure
- ✓ Disciplined strategy      Focused on costs  
Optimising existing assets  
Capitalise on existing business/balance sheet to grow

**Four key areas driving future corporate value**





# A leading WA mid-tier iron ore exporter



## Koolan Island

- High quality DSO lump and fines (high grade, low contaminants)
- Commenced mining premium Main Pit ore in November 2011
- Operation restructured to reduce cash expenditure
- Planning underway to define optimum production profile for maximum value

## Mid West Region

Talling Peak, Extension Hill & Geraldton Port facilities

### Talling Peak

- Mining scheduled for completion in mid 2013.
- Targeting ~2.5 Mt production in FY2013
- Strong cash generating asset in FY2013
- Sales from low grade stockpiles to continue into FY2014
- T1 prospect – potential for limited additional production

### Extension Hill

- New DSO operation
- First ore sales Dec 2011
- Nameplate capacity of 3Mtpa
- Low strip ratio ~ 1:1
- Robust low cost operation
- Strong cash generator
- FY2013 focus on maximising sales from stockpiles
- Diversified customer base
- Mt Gibson Range DSO upside

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

# Company snapshot - strong fundamentals

## A leading mid-tier iron ore exporter targeting sales of 8 – 8.5Mt in FY2013

- Issued capital 1085.7 million shares
- Index S&P/ASX 200
- Market cap<sup>1</sup> A\$750 million
- Cash @ 30 June 2012 A\$293 million
- Bank borrowings<sup>2</sup> nil
- Finance facilities A\$65m environmental bonds facility<sup>3</sup>, A\$47m equipment leases

## Financials (year ended 30 June)

		2007	2008	2009	2010	2011	2012
• Sales volume	MWMT	2.5	5.5	5.4	6.5	5.2	5.2
• Sales	A\$ m	163	433	425	536	672	648
• NPAT	A\$ m	48 <sup>4</sup>	113	43	132	239	172.5
• EPS	cps	7.4	14.1	4.6	12.3	22.1	15.9
• DPS	cps	0.0	0.0	0.0	0.0	4.0	4.0

## Shareholders

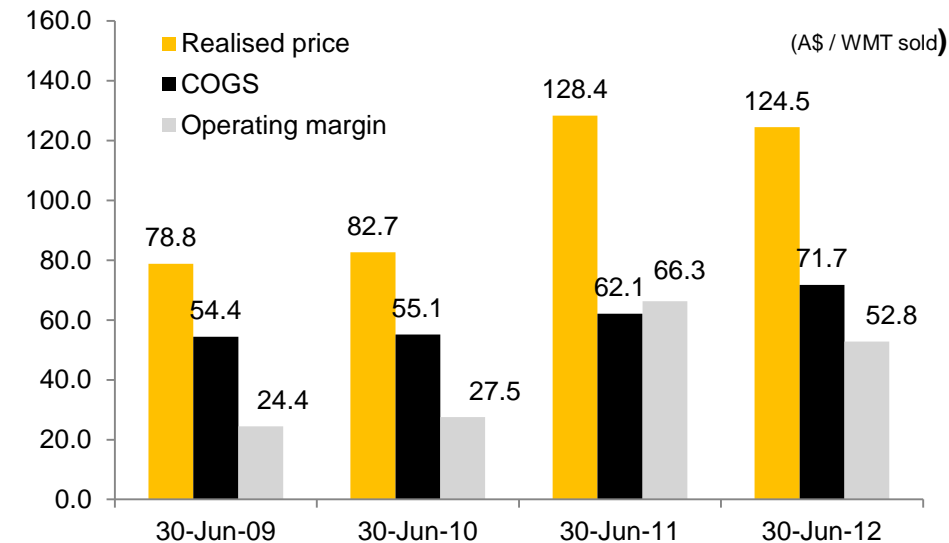
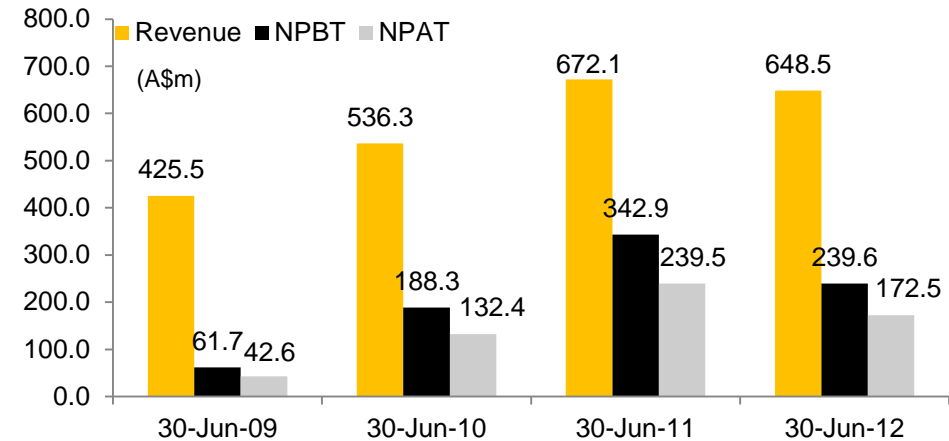
- APAC Resources ~26%
- Shougang Fushan ~15%
- Institutional investors ~34%

Notes:

- 1 Share price of \$0.685 as at 14 November 2012
- 2 At 30 June 2012
- 3 At 30 June 2012, environmental bond facility was drawn to \$57.7m
- 4 Includes \$19 million NPAT on sale of magnetite project

# Business Highlights FY2012

- Improved Safety with LTIFR dropping 11% to 2.62 (Metalliferous industry open/cut average 3.1)
- Strong net profit of \$172.5 million – 2<sup>nd</sup> highest on record
- Maintained solid sales volumes and margins in year of operational challenges
- Maintained full year dividend distribution of 4.0cps
- Balance sheet strength maintained
- Cash balance of \$293m @ 30 June



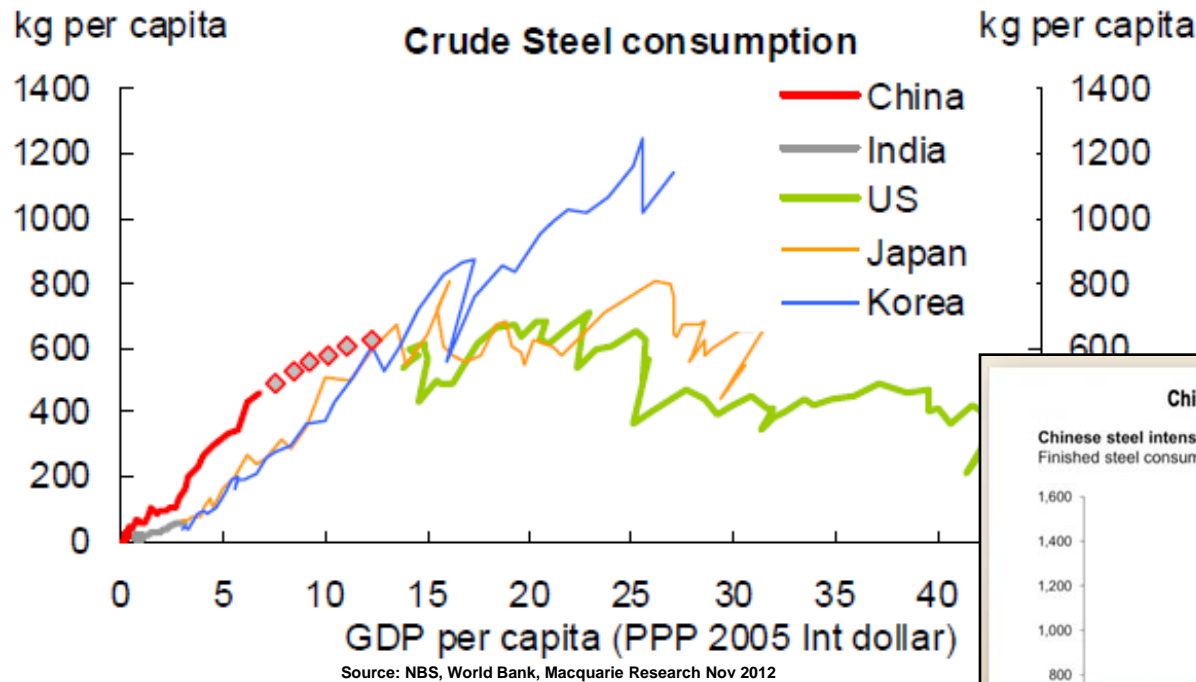
# What has been achieved in the last year?

Substantial progress has been attained across the business in challenging circumstances

- ✓ Appointed 3 new independent directors
- ✓ Implemented new independent corporate governance mechanisms
- ✓ Board independence/corporate governance formally recognised by the FIRB
- ✓ Completely rebuilt and expanded executive capability:
  - new CEO appointed May
  - new CFO commenced September
  - new COO commenced September
  - new Company Secretary/General Counsel commenced April
  - Marketing, HR, HSE, IR roles filled
- ✓ Improved reliability of production and sales
- ✓ Commenced exports from 3<sup>rd</sup> mine at Extension Hill
- ✓ Doubled MGI export capacity at Geraldton Port
- ✓ Implemented company wide program to reduce costs and maximise cash flow in volatile conditions
- ✓ Achieved 2<sup>nd</sup> highest profit and maintained dividend in highly volatile market
- ✓ Established new customers
- ✓ Completed first sales of low grade product from Tallering Peak
- ✓ Completed first mineralised waste sales from Koolan Island
- ✓ Stepped up exploration program: T1, Extension Hill, Koolan mainland
- ✓ Progressed comprehensive review of Mid West growth opportunities

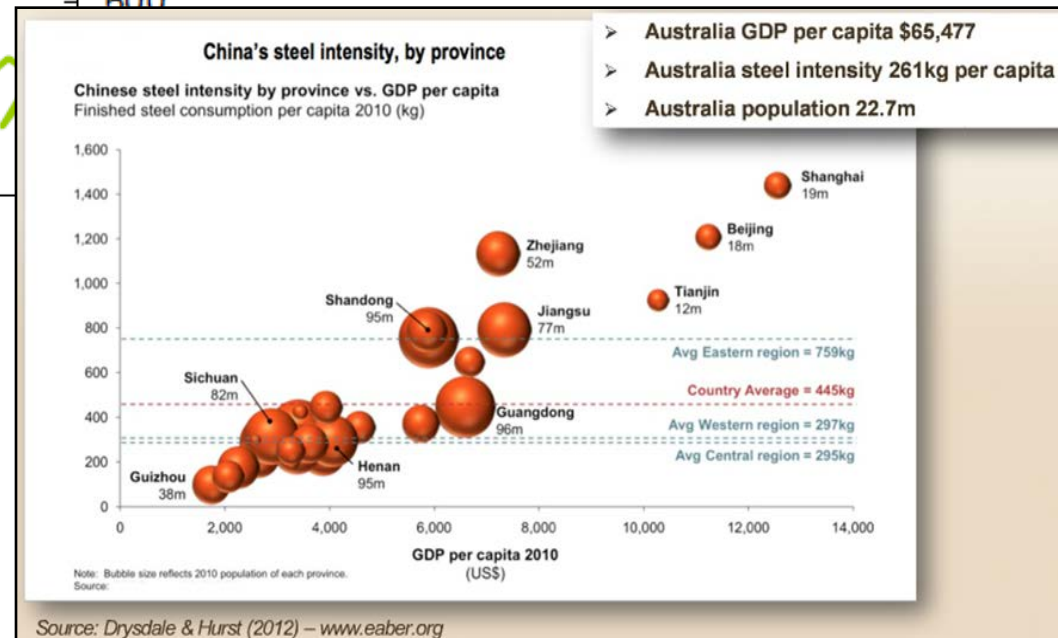
# Market Outlook

The long term outlook remains strong – Chinese steel consumption has a long way to run



Urbanisation remains a key driver of Chinese steel consumption, with regeneration of existing urban centres also becoming important to underlying demand.

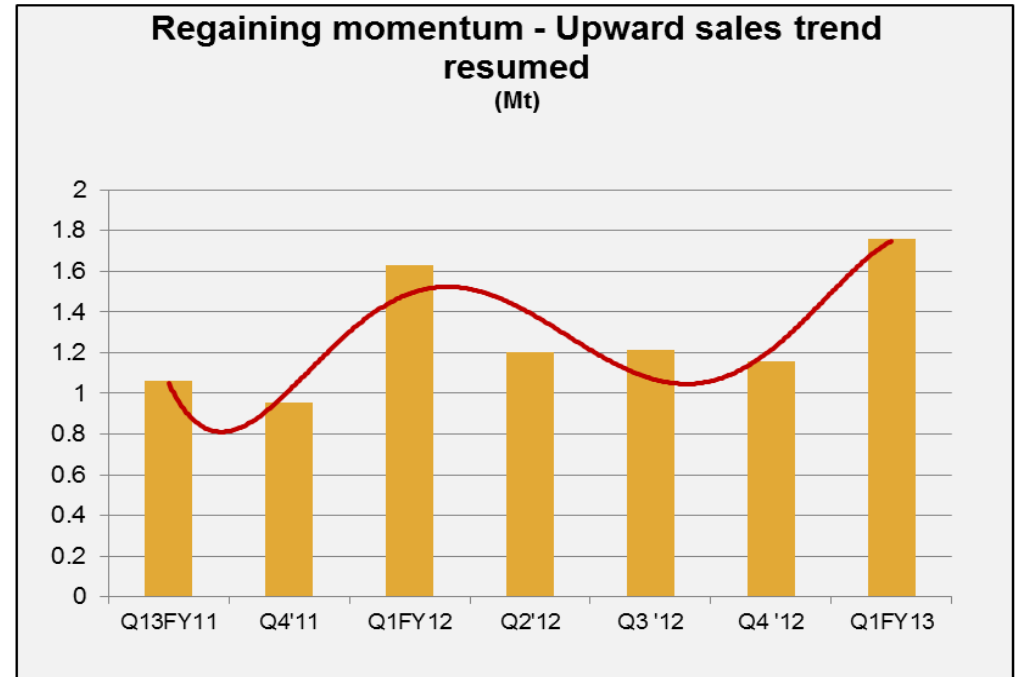
Chinese steel intensity remains well down the curve compared with other developed economies.



# Moving in the right direction

Operational performance has improved significantly in FY2013

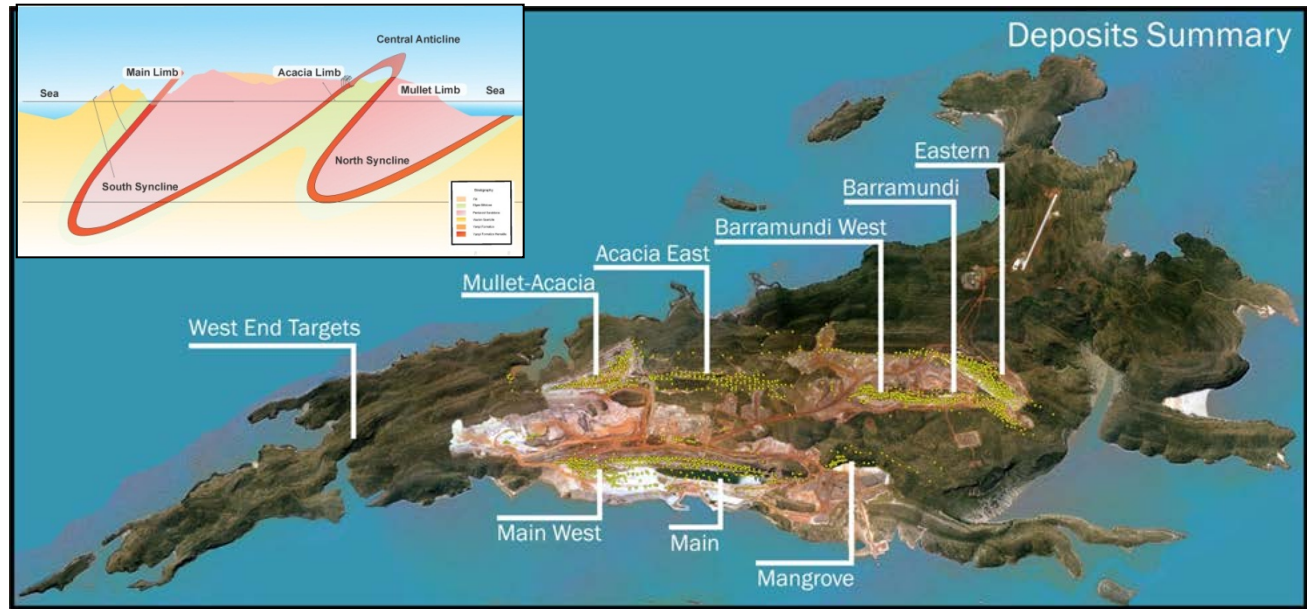
- Sales outlook of 8 - 8.5 Mt in FY2013
- Sept Q shipments increased to 1.76 Mt – up 52% on prior quarter
- Quarterly Koolan Island shipments increased 53% to 786Kt
- Quarterly Mid West shipments increased 51% to 976Kt
- Upward trend continuing in Q3
- Business-wide review to reduce costs and maximise cash flow in volatile conditions:
  - *\$120m - \$150m capital & operating expenditure eliminated or deferred from prior budget*
  - *One third expected to be permanent savings*



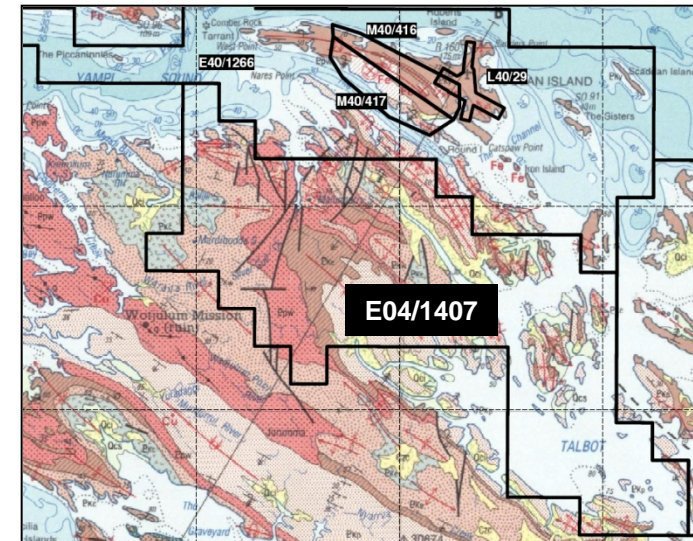
- *Reduced workforce*
- *Mining activity realigned with stocks drawdown to achieve sales target*
- *Maintains capacity to invest in growth*

# Koolan Island – optimising existing operation

- Premium products – 63.5%Fe
- Simple logistics – no rail, standalone ship-loader
- Current production rate ~3Mtpa, +9 year life
- Low grade sales commenced
- Study to define optimum production profile to be complete early 2013
- Operational changes to deliver major savings while optimisation completed

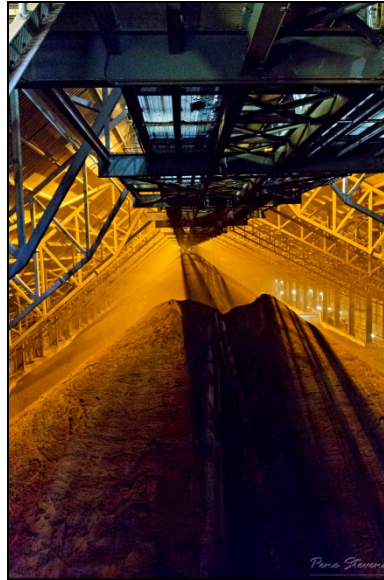


- Searching for long term opportunities to utilise existing ship-loading capacity:
  - Mainland tenement granted October 2012
  - Main Deeps and other underground potential



# Geraldton Port – increased export capacity

- Infrastructure access a strategic asset - key barrier to entry for new producers
- MGI Mid West export capacity doubled to ~6Mtpa
- 240,000t MGI Berth 5 shed commissioned April 2012
- Total MGI port storage capacity trebled to 360,000t
- 50 year leases over port land (Berth 4 shed from 2002, Berth 5 shed from 2008)
- New rail unloader fully commissioned and ramp-up completed September 2012
- Regional rail upgrade completed October 2012



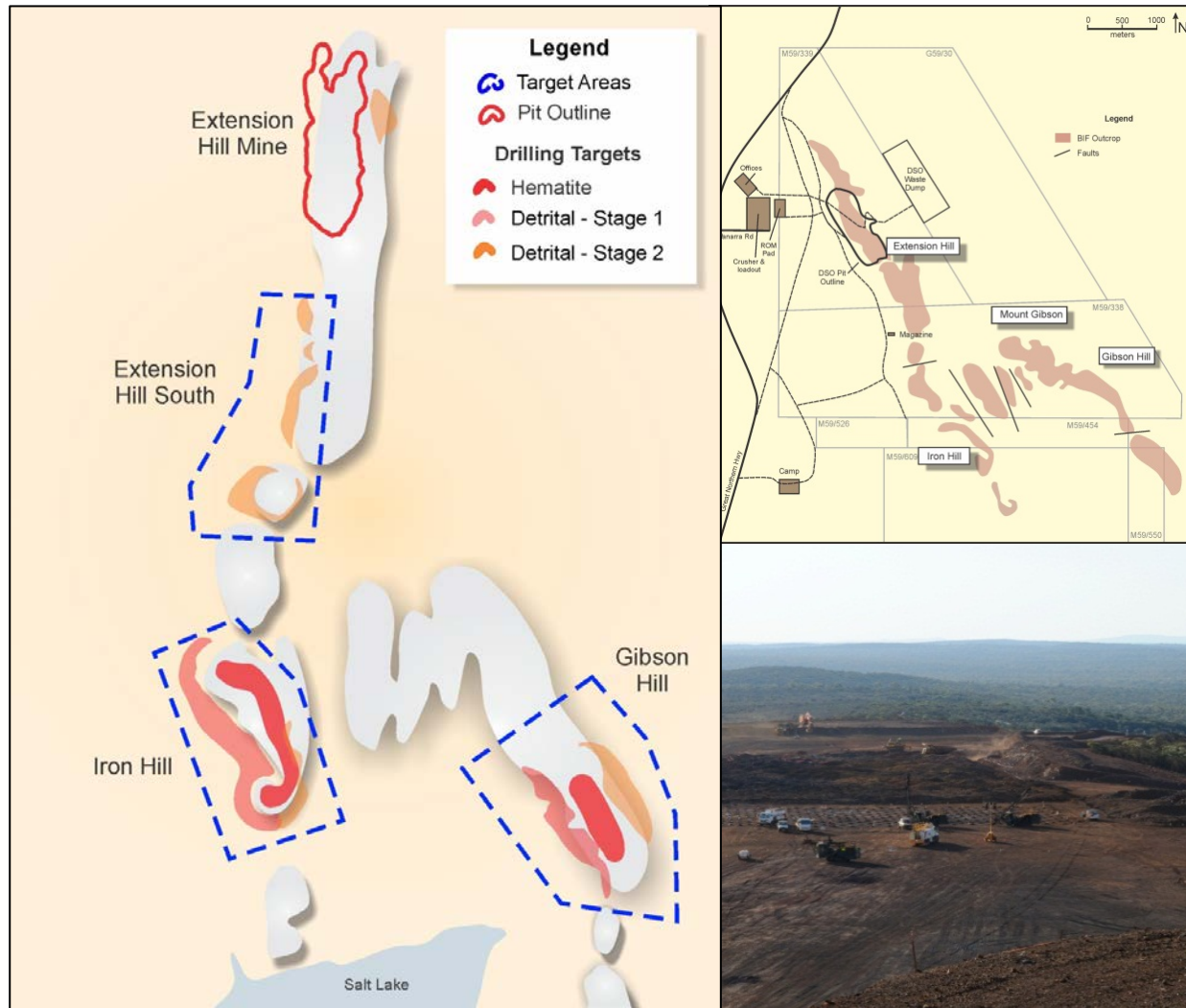
**A strategic asset, essential to get product to market**

# Extension Hill - exploration upside

- Simple, low cost operation, life of mine strip ratio ~1:1
- Nameplate capacity of 3Mtpa
- Diversified customer base
- Uncommitted volumes under discussion with prospective new customers
- First spot cargo sold November 2012

## Growth Potential:

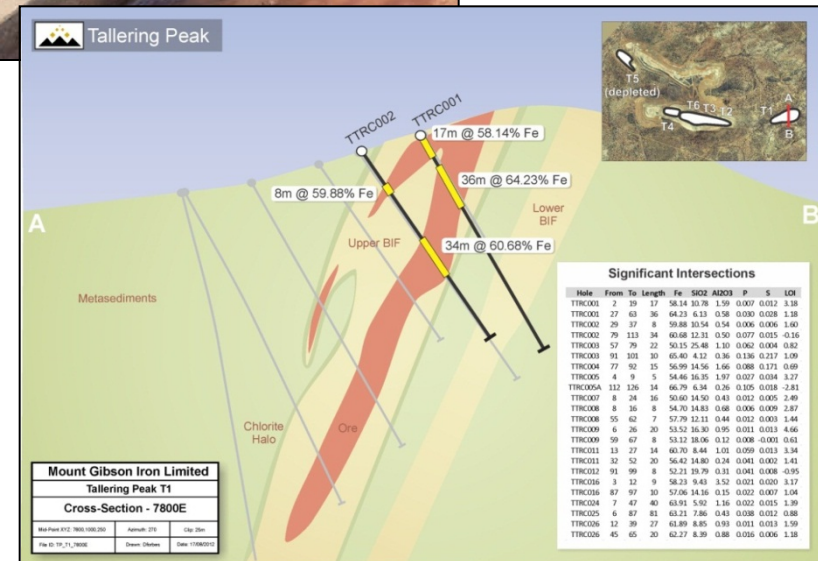
- Significant additional DSO potential in Mount Gibson Range
- DSO opportunities at Iron Hill and Gibson Hill
- Exploration access subject to regulatory approvals



# Tallering Peak - fine tuning for its final year



- Mining scheduled for completion in mid 2013
- Targeting ~2.5 Mt standard product in FY2013
- Completed first sales of low grade product
- Sales from low-grade stockpiles (~1.1 Mt) to continue into FY2014
- T1 drilling in phase 2
- Evaluation of T1 expected to be complete early 2013



# Strategy - pursuing growth

Optimising existing business, now pursuing M&A and exploration-driven growth

## PRIORITIES

- Bed down recent initiatives to cut costs and maximise cash flow
- Target further cost control and elimination of waste/inefficiencies
- Evaluate early adoption of new deferred waste mining accounting standard
- Further broaden customer base
- Complete optimisation of Koolan mine plan
- Complete T1 assessment
- Continue to reinvigorate exploration strategy and expand footprint, particularly to capitalise on strategic export capacity in Mid West
- Continue to target opportunities in carbon steel materials in Australia and overseas that:
  - complement existing business
  - extend production profile and lower cost
  - produce quality sought-after products

# Summary

## Disciplined business strategy

### Mount Gibson has...

- ✓ Access to existing export infrastructure
- ✓ Strengthening operational performance
- ✓ Focused growth plan
- ✓ Acted to protect the business in volatile market environment

## Strong and profitable operating business

- ✓ Established DSO products
- ✓ Growing FY2013 production profile
- ✓ Strong balance sheet, cost focused
- ✓ Provides flexibility and buffer against market volatility
- ✓ History of paying dividends

# Thank You

For more information visit:  
[www.mtgibsoniron.com.au](http://www.mtgibsoniron.com.au)

# Additional information

## Total Group Mineral Resources and Reserves at 30 June 2012

	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources</b>	95.2	61.6	8.29	1.19	0.03
<b>Mineral Reserves</b>	44.3	62.6	6.40	1.16	0.03

NOTE: All estimates quoted to three significant figures. Rounding errors may occur.

### Attributions

The information in this report relating to Mineral Resources is based on information compiled by Rolf Forster, who is a member of the Australasian Institute of Mining and Metallurgy. Rolf Forster is a consultant to Mount Gibson Mining Limited, 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster 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 Mining Reserves is based on information compiled by Rolf Forster and Weifeng Li, who are both members of the Australasian Institute of Mining and Metallurgy. Rolf Forster and Weifeng Li are consultants to Mount Gibson Mining Limited, and have sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to each qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Rolf Forster and Weifeng Li have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.



## Koolan Island

### Mineral Resources, above 50% Fe

	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Measured</b>	10.8	59.6	13.0	1.04	0.02
<b>Indicated</b>	44.3	64.1	6.70	0.77	0.01
<b>Inferred</b>	13.7	60.6	12.1	0.63	0.01
<b>Total</b>	<b>68.9</b>	<b>62.7</b>	<b>8.77</b>	<b>0.78</b>	<b>0.01</b>

### Ore Reserves

<b>Proved</b>	5.46	60.0	13.2	0.50	0.01
<b>Probable</b>	23.8	65.0	5.26	0.87	0.01
<b>Total</b>	<b>29.3</b>	<b>64.1</b>	<b>6.73</b>	<b>0.80</b>	<b>0.01</b>

## Extension Hill

### Mineral Resources, above 50% Fe

<b>Measured</b>	12.0	58.0	6.69	2.16	0.06
<b>Indicated</b>	5.14	58.0	8.91	1.67	0.06
<b>Inferred</b>	2.26	62.6	5.13	1.25	0.05
<b>Total</b>	<b>19.4</b>	<b>58.6</b>	<b>7.10</b>	<b>1.93</b>	<b>0.06</b>

### Ore Reserves

<b>Proved</b>	8.97	59.3	5.30	1.84	0.06
<b>Probable</b>	3.26	59.9	7.12	1.25	0.06
<b>Total</b>	<b>12.2</b>	<b>59.5</b>	<b>5.78</b>	<b>1.68</b>	<b>0.06</b>

## Tallering Peak

### Mineral Resources, above 50% Fe

<b>Measured</b>	3.48	61.5	4.76	2.65	0.04
<b>Indicated</b>	2.84	57.4	8.21	3.74	0.07
<b>Inferred</b>	0.61	55.8	12.8	2.90	0.06
<b>Total</b>	<b>6.93</b>	<b>59.3</b>	<b>6.88</b>	<b>3.12</b>	<b>0.05</b>

### Ore Reserves

<b>Proved</b>	1.77	63.0	4.14	1.97	0.03
<b>Probable</b>	1.02	57.5	8.11	3.86	0.05
<b>Total</b>	<b>2.80</b>	<b>61.0</b>	<b>5.59</b>	<b>2.66</b>	<b>0.04</b>

NOTE: All estimates quoted to three significant figures. Rounding errors may occur.