

December 2017 Half-Year Financial Results



MGX

Investor Presentation
13 February 2018

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December 2017 Half-Year

Overview

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



- Net profit after tax of **\$80.0m** (1H 2016-17: \$22.9m), comprising \$15.7m from operations and \$64.3m from the proceeds of the Koolan Island business interruption insurance settlement.
- Gross profit from continuing operations of **\$23.1m** before tax (1H 2016-17: \$24.2m).
- Sales revenue of **\$90.2m** (1H 2016-17: \$93.8m) on total product sales of **1.7 million wet metric tonnes (Mwmt)** (1H 2016-17: 1.8 Mwmt).
- Cash, term deposits and liquid investments of **\$477m** at 31 December 2017, an **increase of \$31m** over the half year.
- All-in group cash costs* of **\$46/wmt** Free on Board (**FOB**) (1H 2016-17: \$48/wmt), below original guidance of \$47-52/wmt, with full year guidance now being lowered.
- Iron Hill mine operating at full capacity, on track for mining completion in late 2018.
- High-grade Koolan Island Restart Project progressing toward targeted first ore sales in early 2019.
- Sales guidance for 2017-18 maintained at **3.5–3.8 Mwmt** and a reduced all-in group cash cost* of **\$45-50/wmt** FOB.

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

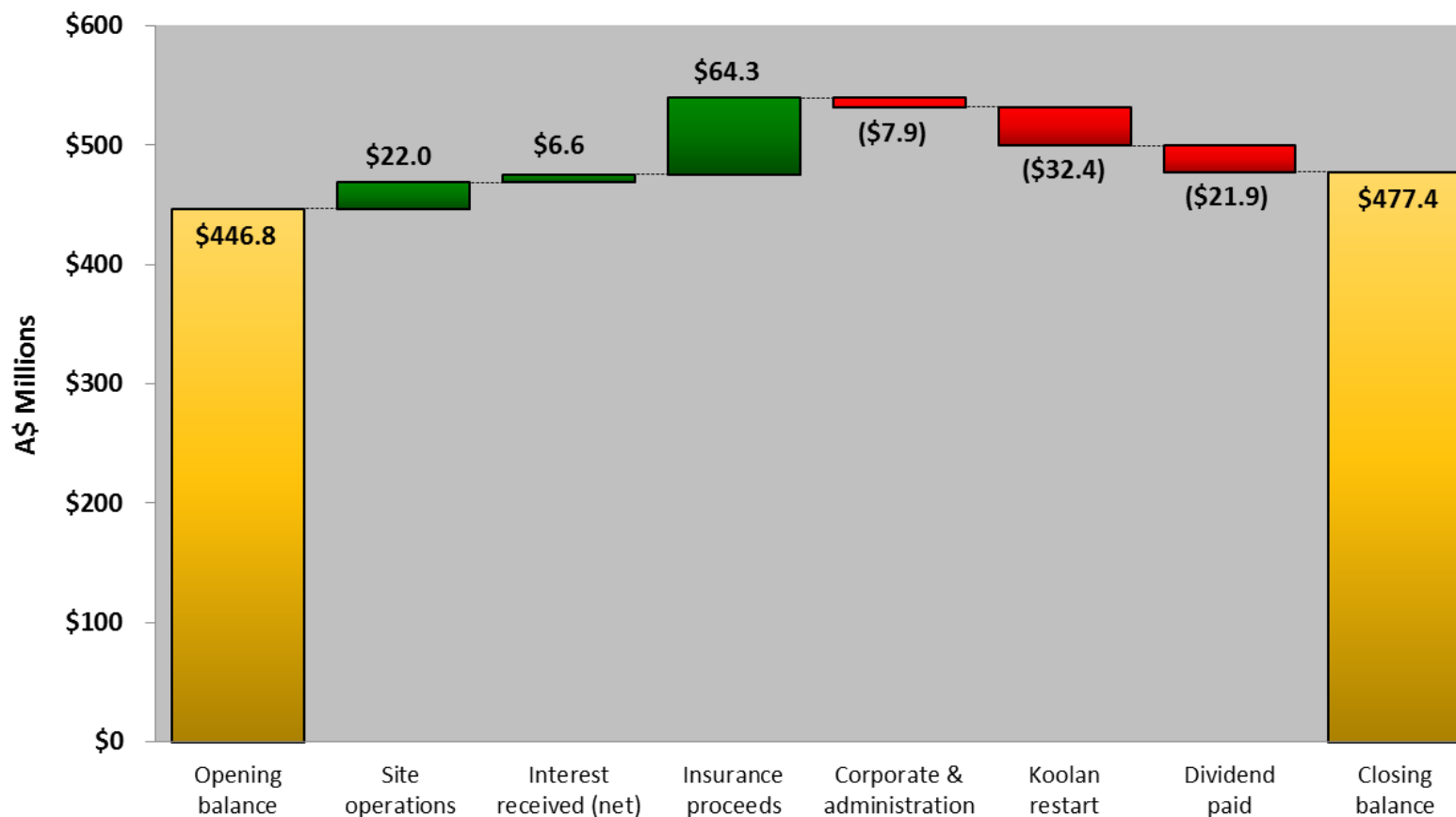
December 2017 Half-Year

A strong performance during operational transition

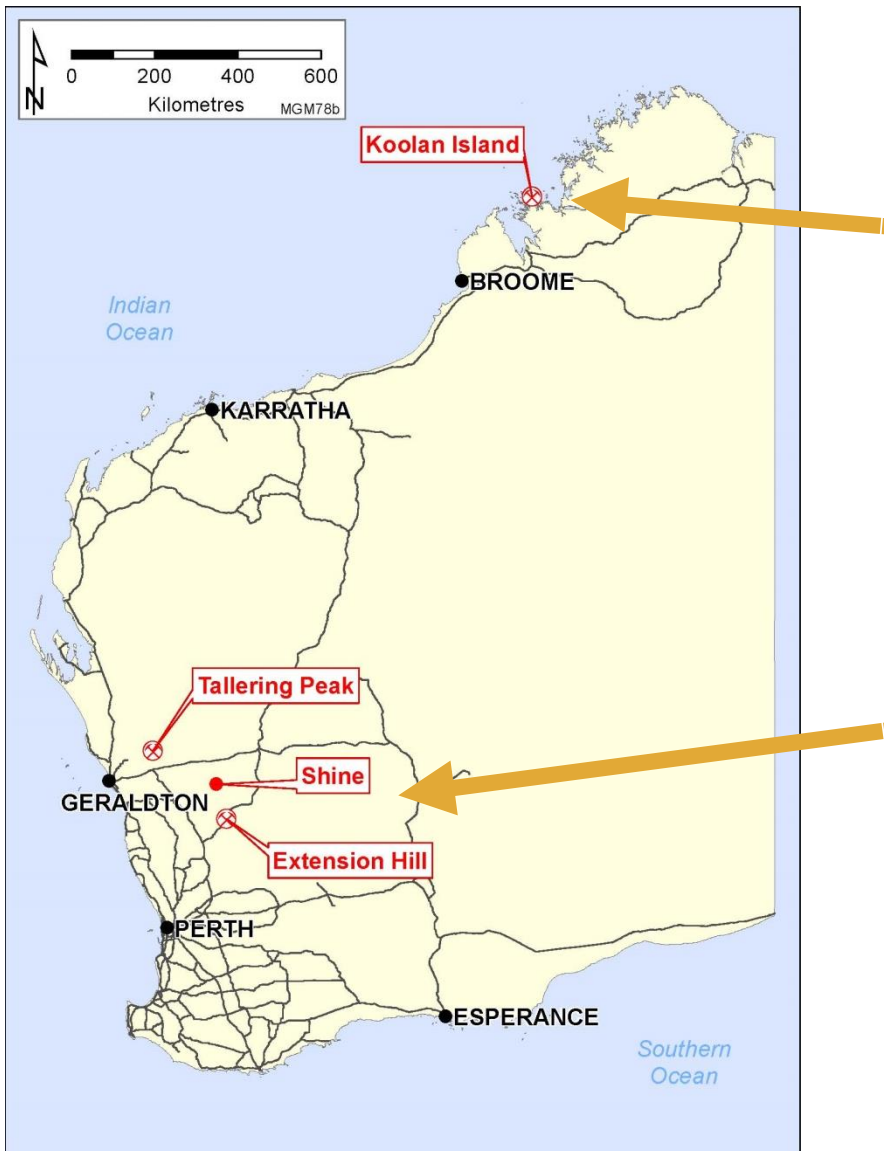


Group Summary Results		Half-Year ended 31 December 2017	Half-Year ended 31 December 2016
Ore tonnes mined*	wmt (mill)	2.2	1.1
Ore tonnes sold*	wmt (mill)	1.7	1.8
Average realised price, all products (FOB)*	\$/wmt sold	54	57
Continuing Operations (Extension Hill & Koolan Island):			
Sales revenue	\$ mill	90.2	93.8
Interest income	\$ mill	6.2	6.0
Cost of sales	\$ mill	(73.3)	(75.6)
Gross profit	\$ mill	23.1	24.2
Admin and other expenses	\$ mill	(7.5)	(8.4)
Other income	\$ mill	64.9	4.5
Finance costs	\$ mill	(0.3)	(0.6)
Profit before tax from continuing operations	\$ mill	80.2	19.7
Income tax benefit/(expense)	\$ mill	-	1.5
Profit after tax from continuing operations	\$ mill	80.2	21.2
Discontinued Operations (Tallering Peak):			
Profit/(loss) after tax from discontinued operations	\$ mill	(0.2)	1.7
Net profit after tax	\$ mill	80.0	22.9
<i>Note: Some totals may not add due to rounding.</i> <i>* Shown inclusive of the discontinued Tallering Peak operation. Refer the attached financial statements for further details.</i>			

Movement in Cash, Term Deposits and Tradeable Investments December 2017 Half-Year



December 2017 Half-Year Business Overview



Koolan Island

- Koolan Island Restart Project approved April 2017.
- Development capex \$97m.
- Stage One Ore Reserves 12.8Mt @ 66% Fe*.
- Material site works commenced June 2017.
- Project +33% complete at end January 2018.
- First ore sales targeted for early 2019.

Mid-West Region

Extension Hill and Iron Hill

- Extension Hill stockpile sales concluded in November 2017.
- Iron Hill mine sales commenced June 2017, 1.4Mt sold in the December 2017 half-year.
- Planned sales of 3.5–3.8 Mwmt in FY2018.
- Mining on track for completion in late 2018.
- Iron Hill total Mineral Resource 8.1Mt @ 58.3% Fe^.

*Refer ASX release dated 27 April 2017, and slides at end of this presentation.

^As at 30 June 2017, refer ASX release dated 5 October 2017, and slides at end of this presentation.

December 2017 Half-Year Business Objectives for 2017-18



- **Extension Hill/Iron Hill** - optimise Iron Hill production and margins.
- **Koolan Island** - successfully rebuild the Main Pit seawall, dewater the pit and prepare the site for commencement of commercial production, with initial ore sales anticipated in early 2019.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** - maintain the increased yield on the Group's cash and investment reserves.
- **Growth projects** - continuation of the search for acquisition opportunities in the resources sector.

Guidance for 2017/18

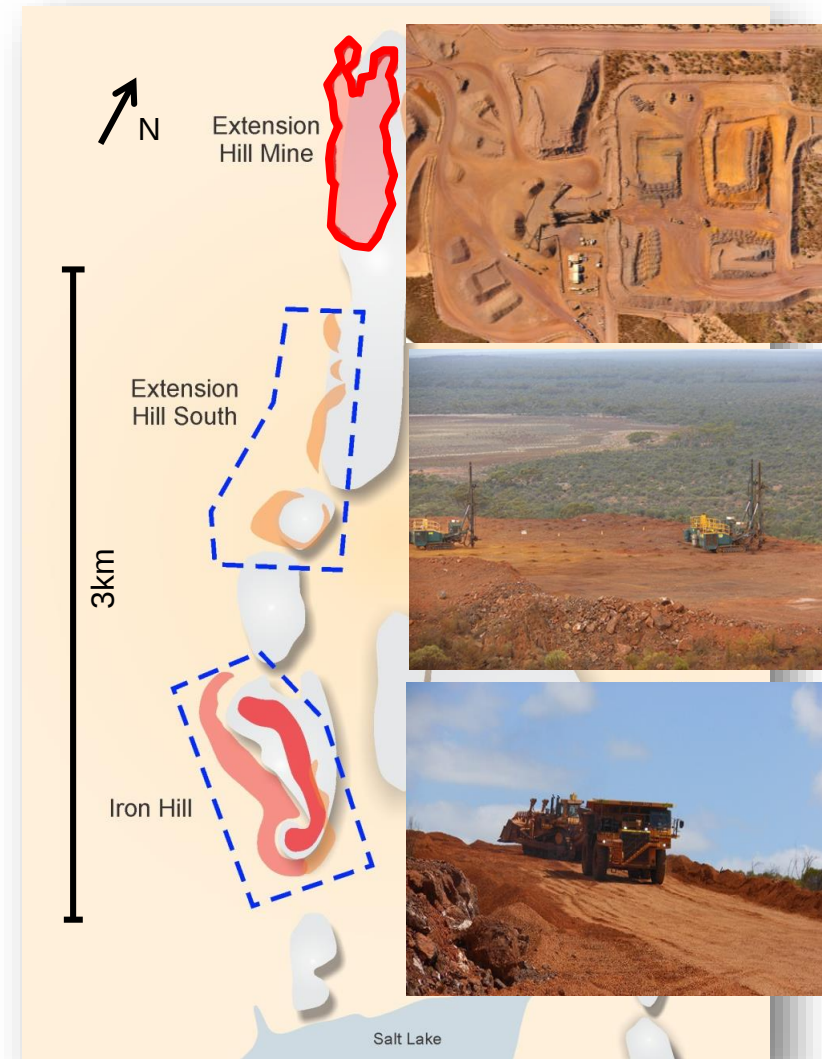
Iron ore sales	3.5 - 3.8 Mwmt
All-in group cash cost (excl. Koolan capital)	\$45 - 50/wmt sold
Koolan capital spend	\$80 - 85 million

Mid-West Operations

Extension Hill and Iron Hill



- Extension Hill pit completed in November 2016, sales from low grade stockpiles concluded in November 2017.
- Development of Iron Hill Deposit, 3km south of Extension Hill pit, commenced February 2017, ore sales commenced June 2017.
- Negligible capital investment, utilises existing Extension Hill workforce, camp, mining, processing and transport infrastructure.
- Third daily train commenced in November 2017.
- Total Iron Hill ore sales of 1.4Mwmt in December 2017 half-year.
- Mid-West ore sales forecast at **3.5–3.8 Mwmt** in FY2017-18.
- Iron Hill on track for planned completion of mining in late 2018.
- High lump yield (+50%).
- Lump typically averages +60% Fe, fines typically ~59.5% Fe.
- Current market conditions realising a discount of 10-15% for higher grade products (lump) and 30-40% for lower grade products (fines).



**Refer ASX releases dated 5 October 2017 and slide at end of presentation for Iron Hill Mineral Resources and Competent Person information.*

Koolan Island Mine Restart

A premier high grade iron ore opportunity



- One of the world's premier **high grade hematite** production opportunities.
- Stage 1 Main Pit Ore Reserves of **12.8Mt @ 66.0% Fe*** and initial mine life of 3.5 years.
- Initial capex of \$97m including \$10m contingency.
- Peak cash draw prior to cashflow of \$145m.
- Robust economics using conservative Fe prices and FX assumptions*.
- NPV of \$106m, including capex and closure costs, at 62% Fe CFR price of US\$55/dmt and A\$1.00/US\$0.75*.
- First ore sales on track to commence in early 2019.
- Potential for pit extension at east end of Main Pit; evaluation on track for completion in current half.



Koolan Island location and site layout showing Main Pit relative to existing site infrastructure, including crushing and port facilities, operations centre, accommodation camp and airstrip.

*Refer ASX release dated 27 April 2017 and slides at end of presentation.

Koolan Island Mine Restart

An unrivalled high grade hematite deposit



Main Deposit Mineral Resources					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	2.97	60.1	13.45	0.34	0.007
Indicated	33.51	65.7	4.61	0.67	0.011
Inferred	5.41	61.4	10.96	0.77	0.010
Total	41.90	64.8	6.06	0.66	0.011
Main Deposit Ore Reserves					
Mineral Reserves, above 50% Fe					
Proved	0.04	63.5	6.7	1.3	0.014
Probable	12.77	66.0	3.7	0.9	0.009
Total	12.82	66.0	3.7	0.9	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.</i>					

- High grade hematite (66% Fe).
- Very low contaminants (P, Al).
- Well understood orebody, consistent grade and width.
- Well understood mining characteristics.
- High grade attracts a price premium – currently ~15% for ores grading 65% Fe.
- Highly sought-after product.
- Life-of-Mine production committed under existing long term offtakes.
- Potential for pit extension (~7Mt) at eastern end, subject to further geotechnical evaluation.
- Evaluation of pit extension on track for completion in current half.

**Refer ASX release dated 27 April 2017, and slide at end of presentation for Competent Persons information.*

Koolan Island Mine Restart

Project +33% complete at end January 2018



Koolan Island Restart Project Schedule and Progress

Task Name	2017			2018				2019
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Rock Fill Embankment construction	completed							
Seepage Barrier Construction				in progress				
Dewatering & Footwall Rehabilitation								
Mining								
First Sales Commencement								◆

Progress achieved	
31-Jan-18	

- Embankment construction commenced June 2017 and completed September 2017.
- Seawall breach closed early August 2017.
- Seepage barrier construction underway, project 33% complete at end January 2018.
- Dewatering scheduled to commence mid 2018.
- On track to achieve first ore sales in Q1 2019.

Koolan Island Mine Restart Construction Progress

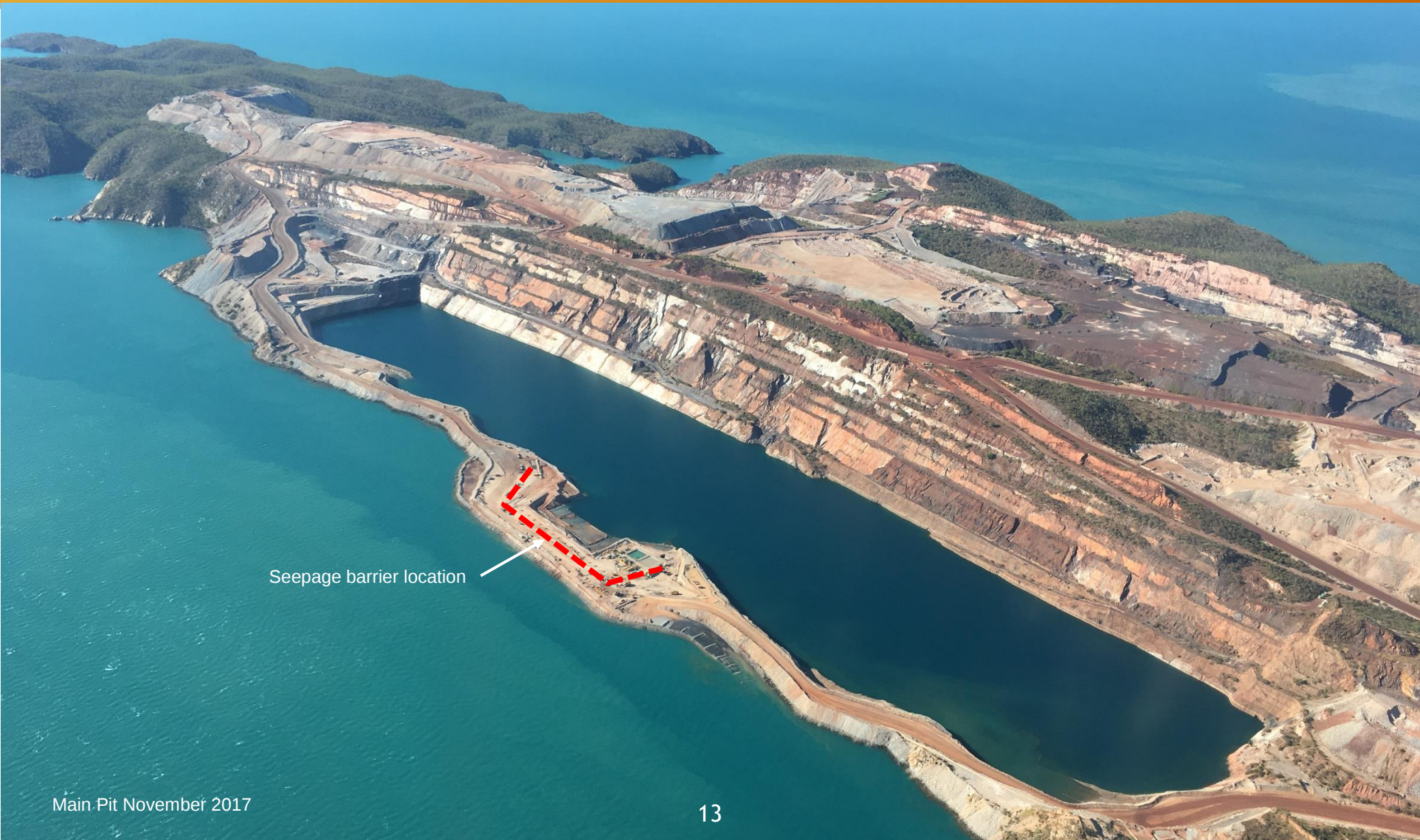


Starter embankment construction in July 2017



Completed embankment, September 2017

Koolan Island Mine Restart Construction Progress



Seepage barrier location

Koolan Island Mine Restart Construction Progress

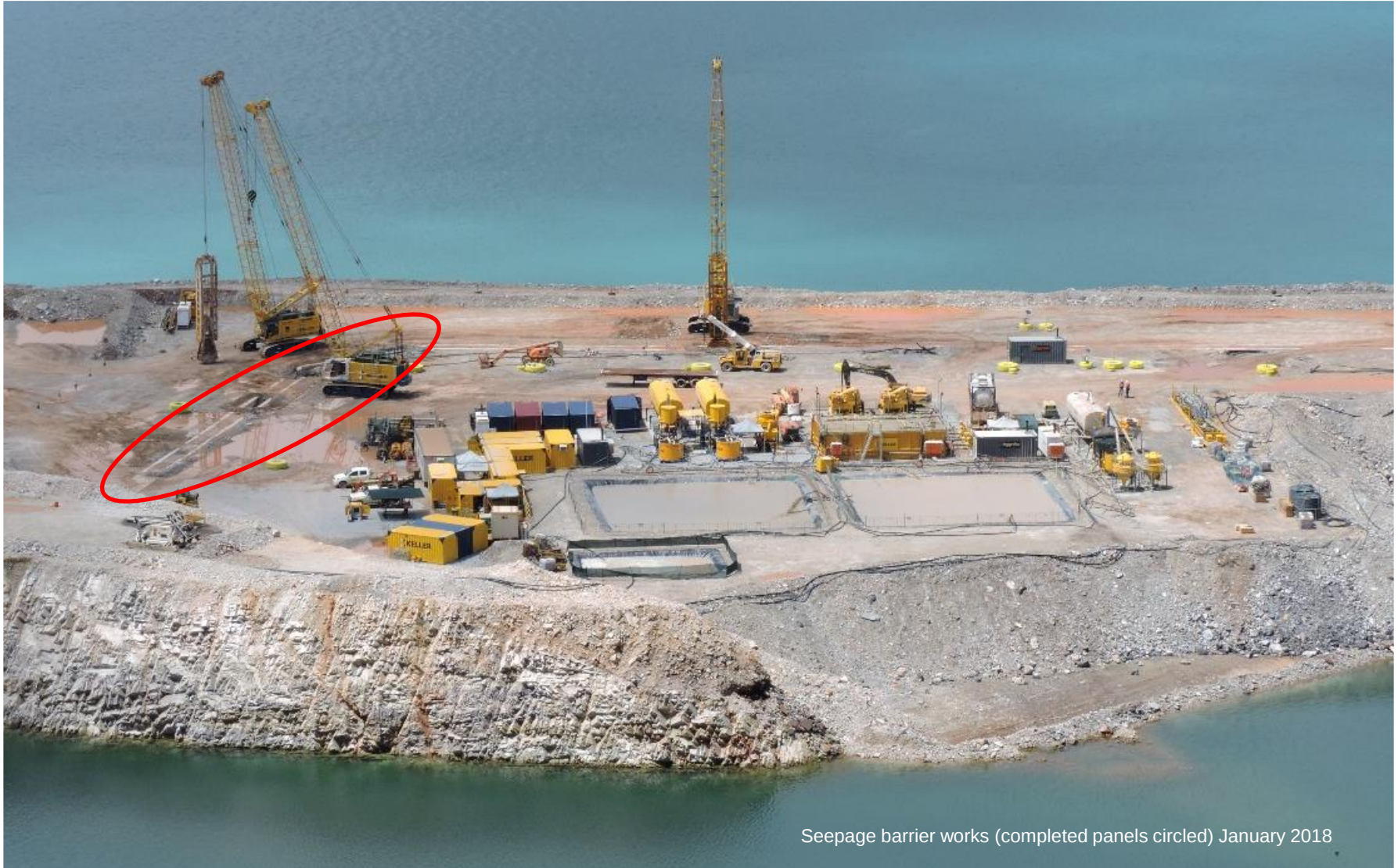


Seepage barrier construction preparations, showing excavators, bentonite plant and ponds, September 2017



Drilling vertical drains, August 2017

Koolan Island Mine Restart Construction Progress



Seepage barrier works (completed panels circled) January 2018

Koolan Island Mine Restart Construction Progress



Grabber excavation of Panel 016 - December 2017



Grabber excavation of Panel 050 - December 2017

Koolan Island Mine Restart Construction Progress



Pumping slurry into excavated Panel 011 December 2017



Completed Panel 030 – December 2017

Koolan Island Mine Restart Construction Progress



Grouting rigs working at western end of embankment, January 2018



Grouting rig in action, night shift February 2018

- Iron Hill mine extends life of the Mid-West operations to late 2018.
- Koolan Island Restart Project is progressing and represents a premier high-grade iron ore production opportunity with excellent financial returns, targeted to commence sales in early 2019.
- Robust balance sheet provides investment security, leverage and flexibility – cash and tradeable investment reserves of \$477m at 31 December 2017.
- Proven cost reduction and control capability.
- Proven ability to generate positive operating cashflow in a volatile price environment.
- Focused team with a broad range of operating and corporate experience.
- Continued focus on seeking opportunities that leverage our strengths to provide value creation for MGX shareholders.

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Additional Information

Cost of sales & cash costs



Mount Gibson Iron Limited		Half-Year	Year
Reconciliation of Cost of Sales to Cash Cost Information		ended	ended
		31-Dec-17	30-Jun-17
<u>Extension Hill (including Iron Hill)</u>			
Cost of sales (excluding impairment & reversals)	\$'000	\$73,299	\$128,324
Depreciation & amortisation	\$'000	\$(2,994)	\$(2,373)
Ore inventory movements, sustaining capital & other	\$'000	\$780	\$5,581
Site all-in cash cost	\$'000	\$71,085	\$131,532
<u>Iron ore sold</u>			
	'000 wmt	1,681	2,751
Cost of sales (rounded)	\$ / wmt sold	\$44	\$47
Site all-in cash cost (rounded)	\$ / wmt sold	\$42	\$48
<u>Group</u>			
Cost of sales - continuing operations (Extension Hill & Koolan Island)	\$'000	\$73,299	\$134,545
Cost of sales & other expenses - discontinued operations (Tallering Peak)	\$'000	\$231	\$13,740
Cost of sales - all operations	\$'000	\$73,530	\$148,285
Depreciation & amortisation - all operations	\$'000	\$(2,888)	\$(5,440)
Corporate expenses (excluding non-cash items)	\$'000	\$7,962	\$17,389
Ore inventory build, sustaining capital & other	\$'000	\$(1,350)	\$4,323
All-in Group cash cost (excl. Koolan restart capital)	\$'000	\$77,254	\$164,557
<u>Iron ore sold - continuing & discontinued operations</u>			
	'000 wmt	1,681	3,167
All-in Group cash cost (rounded)	\$ / wmt sold	\$46	\$52

Additional Information

Group Mineral Resources and Ore Reserves at 30 June 2017*



Koolan Island					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	7.69	59.1	13.53	1.16	0.018
Indicated	41.93	64.4	6.36	0.76	0.014
Inferred	10.89	60.2	12.48	0.79	0.015
Total at 30 June 2017	60.51	63.0	8.38	0.82	0.015
Ore Reserves, above 50% Fe					
Proved	0.04	63.49	6.68	1.31	0.014
Probable	12.77	66.03	3.70	0.92	0.009
Total at 30 June 2017	12.82	66.02	3.71	0.93	0.009
Extension Hill					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured	1.27	55.32	9.16	2.76	0.077
Indicated	0.31	57.29	10.42	1.62	0.076
Inferred	0.20	56.61	10.49	1.66	0.055
Total at 30 June 2017	1.79	55.81	9.53	2.44	0.074
Ore Reserves, above 50% Fe					
Proved	Nil	Nil	Nil	Nil	Nil
Probable	Nil	Nil	Nil	Nil	Nil
Total at 30 June 2017	Nil	Nil	Nil	Nil	Nil
Iron Hill					
	Tonnes millions	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %
Mineral Resources, above 50% Fe					
Measured					
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
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 2017	1.65	57.9	11.10	2.15	0.069
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 2017	15.89	58.1	9.57	1.48	0.071

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 for the Koolan, Extension Hill, Talling Peak and Shine deposits 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 a full-time employee of, and is 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 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.

*Refer ASX release dated 5 October 2017.