



Mount Gibson Iron Limited

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Chairman's Address – 2018 Annual General Meeting

Good morning ladies and gentlemen, and welcome to Mount Gibson Iron's 2018 Annual General Meeting.

The 2017-18 financial year was a satisfying one in which we were able to report increased iron ore sales from our Mid-West operations and a further improvement in profitability. Our net profit after tax for the year totalled \$99.1 million, comprising \$34.8 million from continuing operations and \$64.3 million from settlement of the business interruption component of the Koolan Island seawall insurance claim. This total compares with the reported net profit in the previous year of \$26.3 million.

Consequently, our cash and liquid investments increased to \$457.5 million at year-end, even after investing \$81.7 million to progress work on our high grade Koolan Island Restart Project.

In light of the good underlying performance by our existing business, the Board was pleased to declare a fully franked final dividend of 3.0 cents per share for the year which was paid in mid October. Mount Gibson has now distributed approximately \$229 million in fully franked dividends since late 2011, whilst retaining substantial capital for investment in its existing business and new resources opportunities.

I am also pleased to report that our operating teams continued their good safety performance, with no Lost Time Injuries incurred in the year. From the perspective of the Board, we are encouraged by the efforts of all Mount Gibson personnel to continuously improve the Company's safety performance.

Operationally, the Company's Mid-West business performed well and enabled us to report cashflow from operations of \$34.9 million. This was due to the focus on productivity and costs, and was despite substantial price discounting pressures for medium and lower grade iron ores.

We also progressed the high-grade Koolan Island Restart Project where construction of the seawall seepage barrier was completed just after year-end, and dewatering is now well advanced in line with our restart schedule. In addition, we announced that high grade Ore Reserves at Koolan Island had been increased to 21 million tonnes grading at 65.5% Fe. This has added substantial value to the project by extending its life at a time of strong demand and attractive pricing for high grade iron ores. Koolan Island will be the highest grade direct shipping hematite mine in Australia.

Looking to the year ahead, management and the Board have determined the following key business objectives:

- in the Mid West, our immediate focus is on maximising margins on the remaining sales from the Iron Hill deposit, before preparing the site for closure in early 2019;
- at Koolan Island, we are focused on completing pit dewatering and the remaining pre-production activities in order to commence sales at the end of the March 2019 quarter;
- at the same time, we will continue to drive for cost improvements across our business and seek to maintain the yield on the Group's cash and investment reserves, while seeking opportunities for further improvement; and
- we will continue our search for new investment and acquisition opportunities in the resources sector.

By focusing on these objectives, we are confident that Mount Gibson can continue to deliver strong returns for shareholders as our business transitions from the Mid-West to Koolan Island.

In closing, I would like to thank my fellow Directors, including Kin Chan who retired as a director during the year, and each of the employees of Mount Gibson for their efforts and commitment over the year. Importantly, I also wish to acknowledge the valuable contribution of former Chief Executive Officer Jim Beyer who recently departed Mount Gibson after seven years' service, and I congratulate Peter Kerr on his appointment as the new CEO.

We look forward to reporting another successful year in 2019.

Lee Seng Hui

Chairman

Mount Gibson Iron Limited

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