



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

ASX Code : MGX

9 November 2016

MGX Chairman's Address – Annual General Meeting

Good morning ladies and gentlemen, it gives me great pleasure to welcome you all to Mount Gibson Iron's 2016 annual general meeting.

It was satisfying to return to profitability in 2015/16, recording a statutory net profit after tax of \$86.3 million in a year that was again characterised by extremely challenging market conditions. Iron ore prices remained volatile, declining to ten-year lows during December 2015 and averaging 29% less over the twelve month period compared with the prior year.

Our strong financials are the result of the Company's continued diligent focus on cost reduction and financial discipline. This approach was fundamental to achieving an underlying gross profit of \$19.4 million, comprising an underlying gross profit from continuing operations of \$13.4 million and a \$6.0 million gross profit from the discontinued Tallering Peak operation.

Our headline result was also buoyed by the successful \$86 million cash settlement of the property damage component of our insurance claim for the failure of the Main Pit seawall at Koolan Island in late 2014. I note that this successful settlement is completely independent of the business interruption component of our claim, which is ongoing.

Consequently, our cash and liquid investments rose strongly over the year to \$400 million at the end of June, a very significant increase of \$66 million compared with our cash position at the end of the prior financial year. At the end of September, that figure had risen further to \$437 million.

This performance positions Mount Gibson extremely well to deliver on the Board's strategic objective of creating long term value through investment in exploration, development, and efficient operational extraction of mineral resources.

Looking to the year ahead, the Board has determined the following key business objectives for the 2016/17 financial year:

- finalise necessary regulatory government approvals for the development of the Iron Hill deposit to extend production beyond the current end of the reserve life at our adjacent Extension Hill mine.
- maintain Koolan Island on care and maintenance while we undertake the detailed work required to assess the viability of reinstating the Main Pit seawall and recommencing production.
- progress and finalise the business interruption component of the Koolan Island insurance claim.
- continue to drive for sustainable cost improvements across the existing business.
- pursue and maintain increased yield on the Group's cash reserves.
- continue our search for business development opportunities in the resources sector.

By focusing on these priorities, we are confident that Mount Gibson can continue to navigate the uncertain market conditions and capitalise on our financial strength to deliver strong long term returns for our shareholders.

Given our financial strength we are looking to the future with renewed optimism and confidence, particularly as we work to bring Iron Hill into production, finalise our assessment of the potential to restart operations at Koolan Island, and consider external investment opportunities in the broader resources sector.

In the circumstances and the potential capital demands of our business, the Board determined it would be prudent not to declare a dividend for the 2015/16 year. However, we will continue to consider the payment of dividends based on our financial performance every six months.

In summary, I would like to thank my fellow Directors and the employees of Mount Gibson for their tireless contributions and dedication over the year. I would also like to welcome Mr Kin Chan as the newest member of our Board, and look forward to reporting a successful year in 2017.

Lee Seng Hui

Chairman
Mount Gibson Iron Limited

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