



Mount Gibson Iron



2017 Sustainability Report

About Mount Gibson Iron

Mount Gibson Iron Limited (Mount Gibson) is an independent Australian resources company and established producer of high quality direct shipping grade iron ore products. Head-quartered in Perth, the Company currently owns and operates direct shipping hematite iron ore mines at Extension Hill/Iron Hill in the Mid West region and Koolan Island off the Kimberley region's coast.

About this report

This is Mount Gibson's fifth report on our approach to sustainability, which includes a summary of the Company's structure, operations and performance, and approach to managing the impacts of our activities.

Full details of Mount Gibson's operational and financial performance for 2016/17 can be found in the Company's 2017 Annual Report, available at www.mtgibsoniron.com.au



Excavator at Koolan Island

Front cover: (L-R) Dump truck operators Daron Wesley, Adrian Maller, Keith McCreight and George Wallace working on the rebuild of the Main Pit seawall at Koolan Island.

Foreword from the Chairman and CEO

Mount Gibson Iron is pleased to present the Company's Sustainability Report for the 2016–17 year. This report helps to demonstrate our ongoing commitment to operating ethically, responsibly and sustainably in the pursuit of all of our business objectives.

We do this by upholding our core values of safety, integrity, respect, agility and courage. Applying these values in everything that we do, and focusing on doing the essential things well, forms the essence of what we call 'The MGX Way'.

The safety of our people remains our absolute priority, so it is a credit to our workforce that in these challenging conditions, Mount Gibson again reported improved safety performance. The Total Recordable Injury Frequency Rate (TRIFR)* declined by 22% to 5.3, making it the fifth consecutive year in which a reduction was achieved.

Significantly, the Company's primary sites at Koolan Island, Extension Hill, and Geraldton Port all remained Lost Time Injury-free during the period. However, the Company was disappointed to record its first Lost Time Injury in almost three years, at the Company's closed Tallering Peak mine site resulting in a Lost Time Injury Frequency Rate (LTIFR) of 1.8 for the year.

Nonetheless, in the last five years, the Company has reduced both its TRIFR and LTIFR by approximately two-thirds. Continuing to improve on our safety performance is a strategic priority of the Company, as is continuous improvement in our use of natural resources, and in responsibly managing our impacts on the physical environment. It is pleasing to note that the Company further reduced greenhouse gas emissions and total energy consumption by more than a third during the year.

Mount Gibson also continued its sound environmental performance whilst transitioning between operating sites in the Mid West and starting construction at Koolan Island, with no material breaches of licences, permits or approvals in the year.

The Company's operational and financial performance in 2016/17 year was also satisfying in challenging conditions, reporting a net profit after tax of \$26.3 million.

Mount Gibson also achieved two critical milestones during the year, which have provided operational certainty for our business. Development of our Iron Hill mine extends production from our Mid West business to late 2018, while the landmark decision to restart our high grade Koolan Island mine in the Kimberley will make Mount Gibson the nation's highest grade direct shipping hematite iron exporter when sales commence in early 2019.

On the back of the year's performance, we enter the new financial year in good shape and confident of continuing to deliver value for shareholders from our existing business and as we seek new long term opportunities.

Mount Gibson's hard working and talented employees and contractors are thanked and acknowledged for their efforts and commitment in the pursuit of our sustainability objectives in challenging conditions.

Lee Seng Hui
Chairman

Jim Beyer
Chief Executive Officer

* incidents per one million man hours.

2016/17 Sustainability highlights



Water consumption **reduced** by **33%**

Energy use **reduced** by **36%**



GHG emissions **reduced** by **35%**

\$23.8m paid in salaries, wages and other employee benefits



Strong safety performance – **22% reduction** in Total



Recordable Injury Frequency Rate (the fifth consecutive year of significant improvement)

\$133m in payments to contractors and suppliers

97% paid to WA-based companies



3% paid to other AUS-based companies



Net assets of **\$419m** and no debt at 30 June 2017



Total ore sales revenue of **\$173m** on ore sales of **3.2m** tonnes

\$14.6m paid in State government royalties



Net profit after tax of **\$26.3m**

Stakeholders

The support and trust of our stakeholders underpins our business. Maintaining open communication and building strong relationships with stakeholders ensures the right environment for Mount Gibson to continue to thrive and successfully operate mining and exploration activities.

The Company's valued stakeholders include customers, shareholders, employees, contractors, suppliers, Traditional Owner groups, regulators, landowners, neighbours, local communities and interest groups. Company representatives communicate regularly with these groups, which assists us to understand any issues or concerns and to develop solutions, often collaboratively, that ensure the ongoing smooth operation of Mount Gibson's sites.

This Report addresses the key sustainability aspects of the Company's performance that have been identified through our engagement processes, as being of interest to our stakeholders.

Operations

Tallering Peak mine site – 125km north east of Geraldton Port

- Closed in late 2014
- Rehabilitation activities concluding
- Preparing for tenement relinquishment

Geraldton Port – 400km north of Perth

- Product from Extension Hill and Iron Hill is transported by road and rail to the port for export
- First ore shipment from Iron Hill departed the port in June 2017
- Total of 3.2m tonnes of product loaded onto vessels and shipped this year
- Lost Time Injury-free for seventh consecutive year

Extension Hill mine site – 350km north east of Perth in the Mid West region

- Mining completed November 2016, now under rehabilitation
- Lost Time Injury-free for third consecutive year

Koolan Island mine site – 140 kilometres north of Derby, just off the Kimberley coast.

- Under Care and Maintenance from mid 2016
- Evaluation to reinstate Main Pit seawall completed April 2017 resulting in landmark decision to restart operations
- Construction commenced June 2017, first ore sales scheduled for early 2019
- Lost Time Injury-free for the period



Iron Hill deposit – 3km south of the Extension Hill pit

- Approval to mine received in February 2017
- Mining commenced March 2017 and continues until end of 2018.
- Extension Hill workforce, facilities and infrastructure will be used for duration of mining at Iron Hill

Safety

Mount Gibson is absolutely committed to the safety of its people. Ensuring safe work practices and physical work environments is embedded in the MGX Way.

The continued safety focus of our workforce is reflected in overall improved safety performance, including a further 22% decline in the Total Recordable Injury Frequency Rate (TRIFR) to 5.3, making it the fifth consecutive year of significant improvement.

In September 2016, the Company recorded its first Lost Time Injury (LTI) in almost three years when a contractor at the Company's closed Talling Peak mine site suffered a shoulder injury while alighting from his vehicle. Consequently, Mount Gibson recorded a Lost Time Injury Frequency Rate (LTIFR) of 1.8. This was a reminder that safety can never be taken for granted, and underlined the importance of continually seeking to improve our safety performance.

Extension Hill mine site remained LTI-free for the third consecutive year. A change management risk review was conducted prior to the transition of mining from Extension Hill to Iron Hill. This focus helped to maintain incident-free status of the operation during this major operational transition.

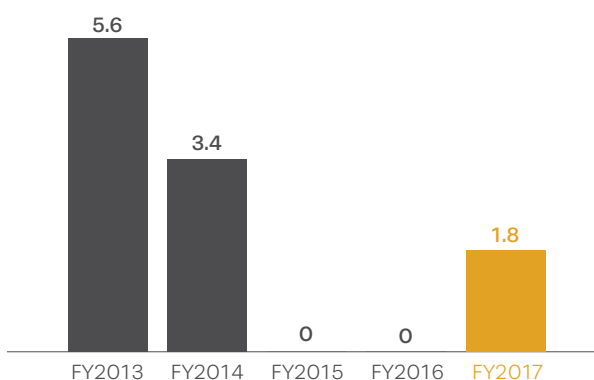
Geraldton Port operations continued its seven-year trend of remaining LTI-free: a commendable achievement by all site personnel.

A small site-based team remained at Koolan Island during the Care and Maintenance period and worked diligently and safely on a range of associated activities. This included loading the

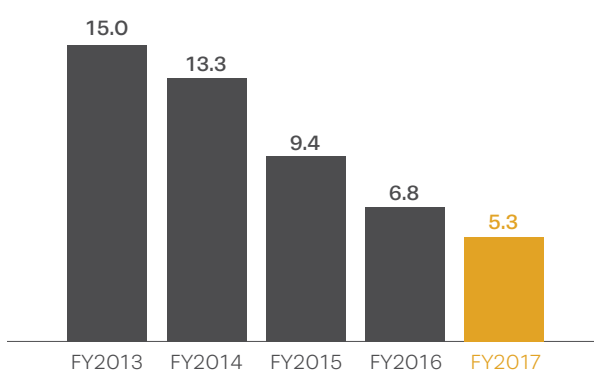
Komatsu 730 truck fleet on to a ship in the Main Channel using a combination of a barge and heavy-lift marine vessel. Activity and manning levels increased significantly following the approval of the Koolan Island Restart project in late April 2017 and the commencement of seawall embankment construction in June 2017. Importantly, the site remained LTI-free over the year.

No LTIs were recorded in the Perth office.

Lost Time Injury Frequency Rate* (LTIFR)



Total Recordable Injury Frequency Rate* (TRIFR)



* incidents per one million man-hours



Mount Gibson Quarry Manager, Alastair Ross

Driver safety a key focus at Iron Hill

Due to the longer hauling distance from Iron Hill to existing infrastructure at Extension Hill, the mining fleet was fitted with the CAT Driver Safety System, which is designed to reduce fatigue-related incidents using real time alerts. Additionally, a radio system upgrade was installed to ensure full coverage at Iron Hill.

Safety

- Genuine care for self and others
- Constant concern (hazard identification)
- Actively intervene to improve

Integrity

- Do what you say you will do
- Do the right thing, even when no one is looking
- Walk the talk

Respect

- Be approachable and open to other points of view
- Treat others as you would expect to be treated
- Encourage and develop people



Agility

- Make timely decisions
- Be dynamic and embrace change
- Grab the opportunity

Courage

- Taking and giving feedback
- Be prepared to admit being wrong
- Challenge the norm constructively
- Make the hard calls



The MGX Way provides us with a behavioural guide on how to sustainably deliver shareholder value. It includes always putting the health and safety of our people first, working together with the communities in which we operate, and undertaking our activities in an environmentally responsible and sustainable manner.

Environment

Responsible performance in environmental management, including minimisation of the Company's greenhouse gas emissions, energy and water consumption, and protection of rare or declared flora and fauna, continues to be a firm commitment by Mount Gibson.

Our focus remains on compliance with all relevant state and federal legislation, as a minimum, and on continuous improvement and innovation across all aspects of the Company's operations, including our environmental responsibilities. Over the period, there were no non-compliances or significant environmental incidents reported across any of the Company's sites.

As part of the Company's overall environmental management program, Mount Gibson provided funding to the Australian Wildlife Conservancy, Bush Heritage Australia, Gundawa Regional Conservation Association and the Western Australian Department of Biodiversity, Conservation and Attractions to continue environmental and conservation initiatives within the regions where Mount Gibson operates.

Koolan Island

With reduced mining activity on site during the Care and Maintenance period, the WA Department of Parks and Wildlife, in conjunction with the Dambimangari Traditional Owners, moored their vessel *MV Worrindoom* at Koolan Island for the duration of the dry season to conduct maritime patrols. This enabled the vessel more time on location and has led to a cooperative arrangement for Koolan-based maritime patrol operations in the future.

Since 2014, Mount Gibson has been in partnership with a Murdoch University PhD research project focused on the ecology and population dynamics of the Northern Quoll on Koolan Island. Extensive field work and annual population surveys will conclude in November 2017 with the research thesis expected in 2018.

In support of preparations for the Koolan Island Restart Project, a revised Marine Management Plan was approved by the Environmental Protection Authority in late 2016, and a Mining Proposal for seawall reconstruction was approved by the Department of Mines and Petroleum in February 2017.



The Northern Quoll

Protecting the Northern Quoll from future cane toad threat

A two-year research program trialling Cane Toad taste aversion in the Northern Quoll has been developed in response to the looming threat of Cane Toad introduction to Koolan Island, as the pest moves towards the coast. The objective is to create an aversion in the Northern Quoll to eating Cane Toads.

Trials have been undertaken using Cane Toad sausages to determine the appeal of Cane Toad meat to the Quoll and whether the addition of a nauseating substance will develop an aversion to the Cane Toad sausages based on taste.

Similar trials have been undertaken successfully elsewhere in Northern Australia however Cane Toad aversion sausages used on the mainland may not be suitable on Koolan Island due to the smaller morphology of the local Quoll.

Dust management in transit

Patience Bulk Haulage transport ore from the Extension Hill and Iron Hill sites to the Perenjori Rail Siding, where product is then moved by rail to Geraldton Port. During the year, tarpaulin covers were installed on all Patience's trucks to further mitigate any potential dust migration from open loads.

Extension Hill and Iron Hill

Mining was concluded in the Extension Hill pit in November 2016, and commenced at the nearby Iron Hill deposit in March 2017. Rehabilitation of the Extension Hill mine continued throughout the year, with earthworks and seeding of 4 hectares of the waste rock landform, bringing the total area rehabilitated to around 11 hectares.

The annual Malleefowl mound survey found a record number of active mounds with 22 recorded during the season. The site is participating in a nation-wide study being undertaken by the National Malleefowl Recovery Team and the University of New South Wales to investigate impacts of predator-control on Malleefowl.

A pre-clearance fauna relocation program was undertaken at Iron Hill, which saw a total of 92 individuals (7 marsupials, 56 reptiles and 29 invertebrate) relocated to the surrounding area prior to vegetation disturbance. An additional 2,695 *Darwinia masonii* and 1,200 *Lepidosperma gibsonii* were planted in translocation trial plots around the Mt Gibson Ranges.

Tallering Peak

Completion of the sale of remnant stockpiled ore from the site to Geraldton Port enabled final rehabilitation of the 4 hectares load out area. The remaining 39 hectares of previously disturbed land, consisting of haul roads, tracks and open areas, will be retained for use by the pastoral leaseholder at their request.

A draft rehabilitation report has been generated for submission to the Department of Mines, Industry Regulation and Safety in late 2017, in preparation for tenement relinquishment.

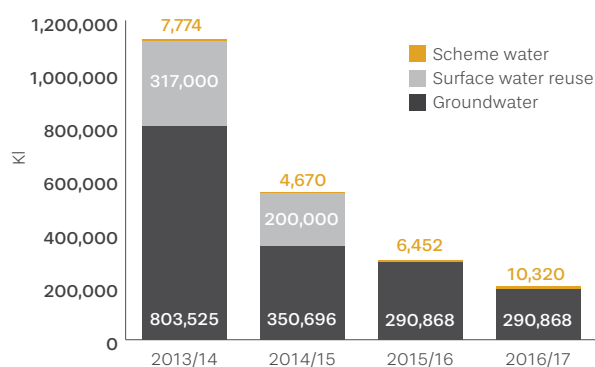
Waste management

The Company's waste management and recycling program continued throughout the year across all sites. Just over 25 tonnes of scrap steel and 2.2 cubic metres of glass were salvaged and recycled from the Extension Hill mine site. 81 tonnes of non-recyclable waste was sent to landfill from across all sites and our Perth corporate office continued its recycling of plastics, paper, cardboard and printer cartridges, with over 500kg diverted from landfill.

Water use

During the year, overall water use decreased by 33% from the previous period to 199,967kL reflecting the Care and Maintenance status at Koolan Island, and asphaltting of the access roads at the Perenjori rail siding to reduce the use of water for dust suppression. A focus on water efficient practices aims to ensure that the Company's sites continue to responsibly manage water consumption.

Water use by source – all sites



Land rehabilitation

Rehabilitation of disturbed areas across the Company's sites involves an integrated program of site works, landscaping, revegetation and monitoring. In some instances, land disturbed for roads and other infrastructure is retained at the request of the landholder, to whom the land is returned following relinquishment of a tenement.

All rehabilitation works are completed in accordance with agreed end land uses and approved mine closure plans. The total area of disturbance across all sites remains unchanged from the previous year at 1284.4 hectares, however a total of 467.1 hectares is now under rehabilitation – an increase of 7.74 hectares from last year.



Brachychiton, found on Koolan Island

Due to the remote location of its sites, Mount Gibson uses and generates energy primarily through the consumption of diesel fuel for power production or use by heavy mining equipment.

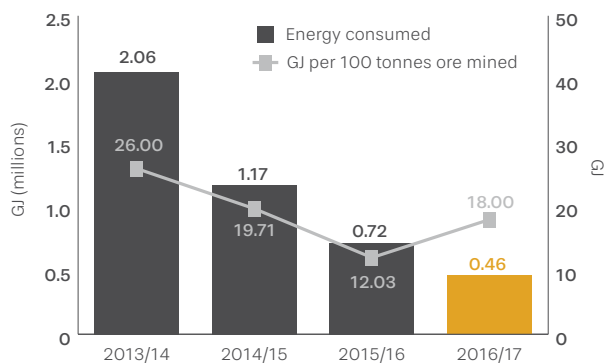
With the transition of mining in the Mid West from Extension Hill to Iron Hill, and the Koolan Island mine site remaining on Care and Maintenance, overall energy use and associated greenhouse gas emissions have again significantly decreased from the previous year.

Energy use

Across all operations during the 2016/17 period, 460,164 GJ of energy were consumed representing a 36% decrease from the previous year. The rate of energy use during the same period increased to 18.00 GJ per 100 tonnes of ore mined, from 12.03 GJ per 100 tonnes of ore mined in the previous year. This reflects the transition of mining operations from the Extension Hill pit in November 2016 to Iron Hill in March 2017. Ore production ceased during this 6 month transition period, however the heavy vehicle and equipment fleet continued to operate to undertake mine/haul-road construction, site rehabilitation and stockpile handling/transport. By the end of June, mining activity at Iron Hill was nearing planned capacity. This trend of increased unit energy use may temporarily continue in the current year due to increased non-mining activity at Koolan Island and lengthening haulage distances at Iron Hill.

Energy produced from generators stationed on the Company's remote sites totalled 14,011 GJ during the period.

Energy use - all sites



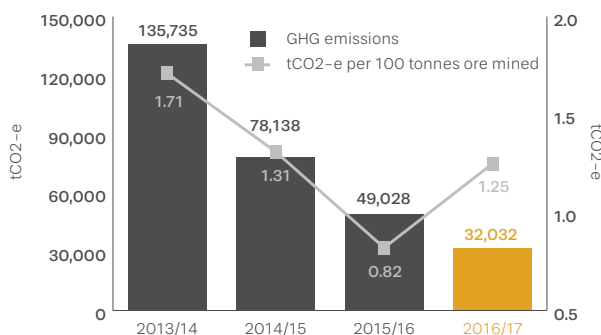
Greenhouse gas emissions

Greenhouse Gas (GHG) emissions are mainly carbon dioxide and methane released into the atmosphere. Most of the carbon dioxide produced is from the combustion of fossil fuels. Diesel combustion is the largest source of GHG emissions from Mount Gibson's mining activities.

The total of Scope 1 and 2 GHG emissions from all Mount Gibson facilities for the reporting period was 32,032 tonnes CO₂-e, which represents a decrease of 35% from the previous year, reflective of the substantial decrease in mining activities and in line with energy consumed.

During the 2016/17 year, the rate of GHG emissions per 100 tonnes of ore mined increased to 1.25 tonnes CO₂-e from 0.82 tonnes CO₂-e in the previous year, reflecting the extent of heavy equipment use for construction and rehabilitation activities versus reduced mining activities. This trend of increased unit emissions may temporarily continue in the current year due to increased non-mining activity at Koolan Island and lengthening haulage distances at Iron Hill.

Greenhouse gas emissions - all sites



Note: Mount Gibson GHG emissions reporting is completed in accordance with the National Greenhouse and Energy Reporting Act 2007 and associated National Greenhouse and Energy Reporting (Measurement) Determination, 2008, last updated July 2012.

People

Mount Gibson employees are some of our greatest assets: their commitment to the Company and our collective work is integral to the success of the business. Ongoing engagement with employees ensures the team is across developments and focussed on the overall direction of the Company.

As at 30 June 2017, Mount Gibson employed 170 people across all sites and the corporate office, up from 122 employees at the same time in the previous period. Our workforce includes 11 Indigenous people employed at Extension Hill and Koolan Island sites. A further nine casual workers and four Indigenous contractors regularly undertake work for the Company at our port and mining operations.

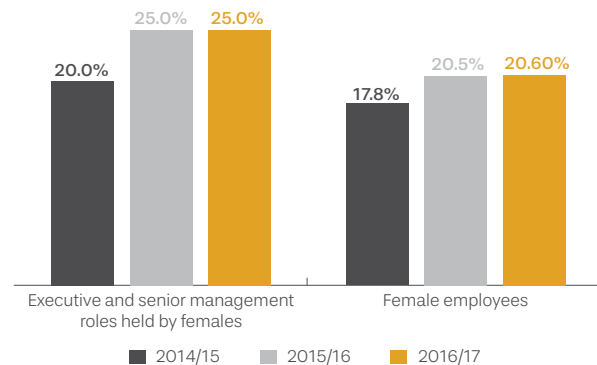
Employees by site

Extension Hill 91	Koolan Island 33	Perth office 31	Geraldton Port 15
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Diversity

Mount Gibson again exceeded its minimum target of 20% female employees across the Company with 22.3% of the workforce being female at the end of the period. The majority of female employees were based at Extension Hill and in the Perth office. Women accounted for 22.2% of the Company's Executive and Management Teams reflecting Mount Gibson's ongoing endeavours to provide equal opportunities for women to progress within the workforce.

Female employees and executives/managers within the Mount Gibson workforce



Breanna Cameron



Jake Andrijasevich

Supporting stars in the mining sector

In 2017, Mount Gibson continued its support for a fourth year of the WA Mining Club's annual scholarships for some of Western Australia's brightest minds. The scholarships encourage students to continue their tertiary studies in mining related disciplines to ensure the sustainability of talent within the sector and develop the next generation of leaders.

Mount Gibson's General Manager of Operations, Scott de Kruijff, presented the awards for a Female Student in a Technical Discipline to Breanna Cameron in the Mining Sector and to Jake Andrijasevich for the Resource Related Engineering Discipline (both pictured above).

Community

Mount Gibson places a high priority on ensuring recognition and protection of areas of special heritage and cultural value, and maintaining strong bilateral relationships with communities and other stakeholder groups that share an interest in our areas of operation.

Sharing the benefits of mining and creating mutually beneficial opportunities for the communities in which we operate underpins the relationships we develop and maintain with our neighbours and, importantly, the Traditional Owners of the land, including the Badimia People in the Mid West and the Dambimangari People in the Kimberley region.

Throughout the year, Mount Gibson maintained regular contact with the Dambimangari People to keep them informed about the Company's evaluation of the potential to rebuild the seawall at the Koolan Island mine and resume production. Following the successful completion of this study and the decision to proceed with the Koolan Island Restart Project, our collective focus now returns to upholding the aims of the Co-existence Deed including providing employment and training opportunities for Dambimangari personnel and exploring potential business opportunities.

The Company welcomed a two-day on-Country meeting on Koolan Island for the Joint Management Board of the Marine Park located adjacent to the Dambimangari Native Title determination area. Representatives of the Dambimangari and the Western Australian Department of Biodiversity, Conservation and Attractions conducted their meeting aboard the MV Worndoom and utilised the purpose-built Cultural Heritage Centre at the eastern end of Koolan Island.

Our site-based teams continue to enjoy a positive working relationship with neighbours, local Councils and the local communities surrounding our operations. During 2016/17, no complaints were received as a result of any of our operations, exploration or rehabilitation activities.



Alex 'Ollie' George – NAIDOC Male Elder of the Year.

Photo supplied by the National NAIDOC Committee

Preserving Badimaya Language

Mount Gibson values its relationships with the Traditional Owners of the land on which the Company operates. In the Mid West region, the Badimia people deliver a range of cultural, education and community services for their people. Amongst them, Alex 'Ollie' George is a revered Elder who has done much to preserve the Badimaya language over the past three decades including the production of seven Badimaya publications and hundreds of hours of oral recordings of his language.

Mount Gibson has previously supported the development of a Badimaya Dictionary and this year the Company was delighted to support Ollie's attendance at the annual national NAIDOC Awards in Queensland where he was recognised as the NAIDOC Male Elder of the Year.

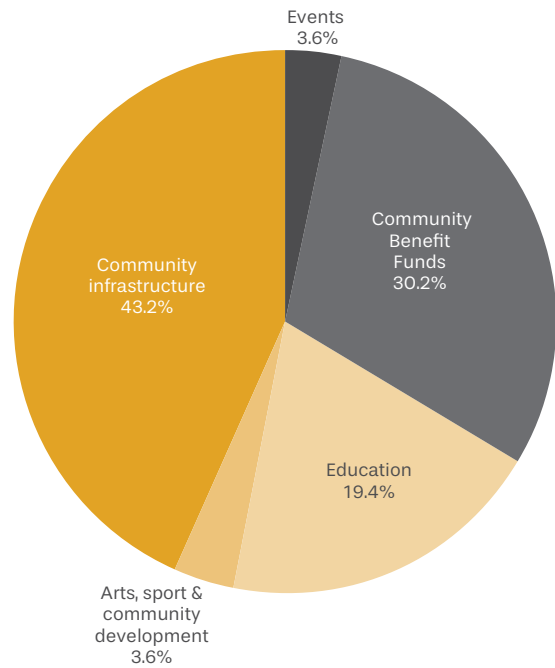
Support of local community priorities and projects is a practical way for Mount Gibson to share the benefits of mining. Through its direct community contributions, the Company provided \$463,300 to community projects in Derby, Geraldton, Perenjori and Perth during 2016/17.

The Company acknowledges some of the challenges faced by young people living and attending school in remote and regional areas. To this end, our continued sponsorship of the Clontarf Foundation and SHINE Girls Program in Derby and Geraldton enabled many young people to receive mentoring, guidance and developmental support for their education, life skills and transition to employment.

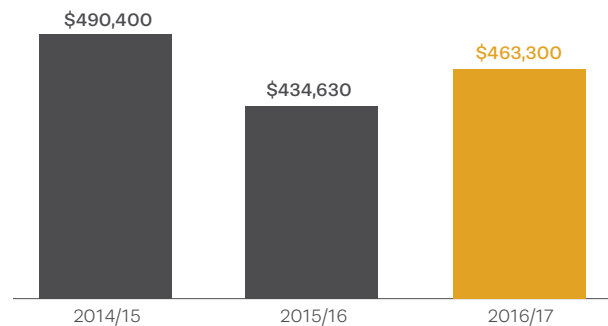
Mount Gibson also provides financial support to the Perenjori and Yalgoo communities, near to our Extension Hill mine site, via Community Benefits Trusts that were established in partnership with the local government authorities. Each year, a range of community projects, events and infrastructure is funded through this scheme.

During the year, assistance was provided to many local Derby and Perenjori arts, sporting and community groups. This included the Perenjori Sports Club, which is using financial support from the Trust to plant an 80 hectares wheat crop on local land as a fundraising project for larger community infrastructure projects. Once again, we supported the Mowanjum Aboriginal Art and Culture Centre near Derby, and the Blues in the Bush event at Perenjori. Mount Gibson has been pleased to support these innovative community projects.

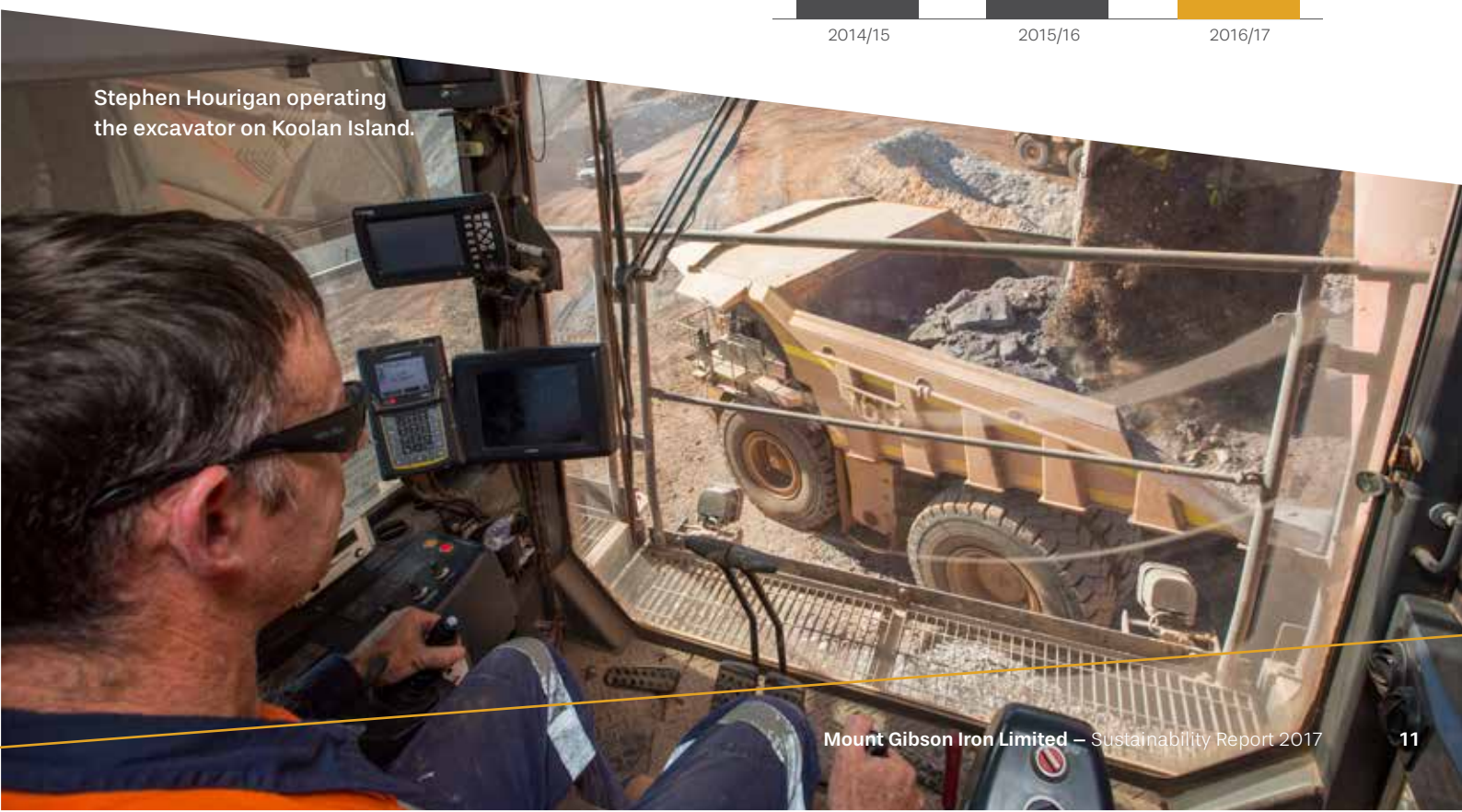
Direct community contributions 2016/17



Direct community contributions



Stephen Hourigan operating the excavator on Koolan Island.



Mount Gibson visit to SHINE in Geraldton



Hughie Burgu from Derby Clontarf Academy



SHINE Girls' Program

The SHINE program, based in Geraldton, Western Australia, works with girls who are at risk of disengaging from school, and encourages development of essential life skills to support their personal, education and career options. SHINE students must maintain high levels of school attendance and positive classroom behaviour in all their school studies in order to participate in SHINE.

During the year Mark Adam, Linda Wainwright and Craig Richardson from our Geraldton Port operations visited the SHINE program to meet some of the students (pictured above).

Mount Gibson continued its support of SHINE for a third year and also enjoyed hosting a very successful Women's Dinner in Perth for a group of SHINE students and some of our female employees.

Clontarf Foundation

Nearly 6,000 young Aboriginal men across Australia are supported to improve their education, health, self-esteem, life skills and transition to employment through their participation in the Clontarf Foundation, with Academies located on the grounds of each partnering school.

Mount Gibson continued its support of the Mid West and Derby Clontarf Academies in 2016-17, which provided intensive support for around 250 local students. During the year, our Geraldton Port team engaged in regular activities with the Mid West Clontarf Academy, resulting in employment pathways being established for graduates at our port facility.



Governance

As at 30 June 2017, the Company had seven Directors. All are Non-Executive Directors, including the Chairman.

The Company's Board is committed to protecting and enhancing shareholder value and conducting the Company's business ethically and in accordance with high standards of corporate governance. The Company believes that its practices are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition – "ASX Recommendations").

The Board meets at least six times each year, and full Board meetings are usually held every two months. The Board has established an Audit and Financial Risk Committee; a Nomination, Remuneration and Governance Committee; a Contracts Committee; and an Operational Risk and Sustainability Committee (ORSC).

The ORSC has primary responsibility for overseeing the Company's sustainability actions and was established to enhance the risk management process for the

Company in respect of operational matters. The ORSC is currently comprised of Russell Barwick (Chair of this Committee), Paul Dougas, and Simon Bird. The ORSC has a formal charter and normally meets at least four times each financial year.

The Company's Corporate Governance Statement, including further details of the Board Directors and Committees, can be found on the Mount Gibson website.

Whistle blower policy

The Company's Whistle-blower Policy ensures its commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. This policy applies to directors, employees and Company contractors and their employees. Under this policy an employee may report their findings to their immediate supervisor or another manager; the Company's Chief Executive Officer or to the Chief Financial Officer.

