

# Interim Financial Results H1 2014



# MGX

19 February 2014

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# MGX at a glance



**Member S&P/ASX-200**

**Market cap \$1.3 billion**

\*@ \$1.20/share , 18/2/2014. 1,090.6m shares on issue

**Dividends paid**

**\$130m since Sept 2011**

**FY14 sales guidance**

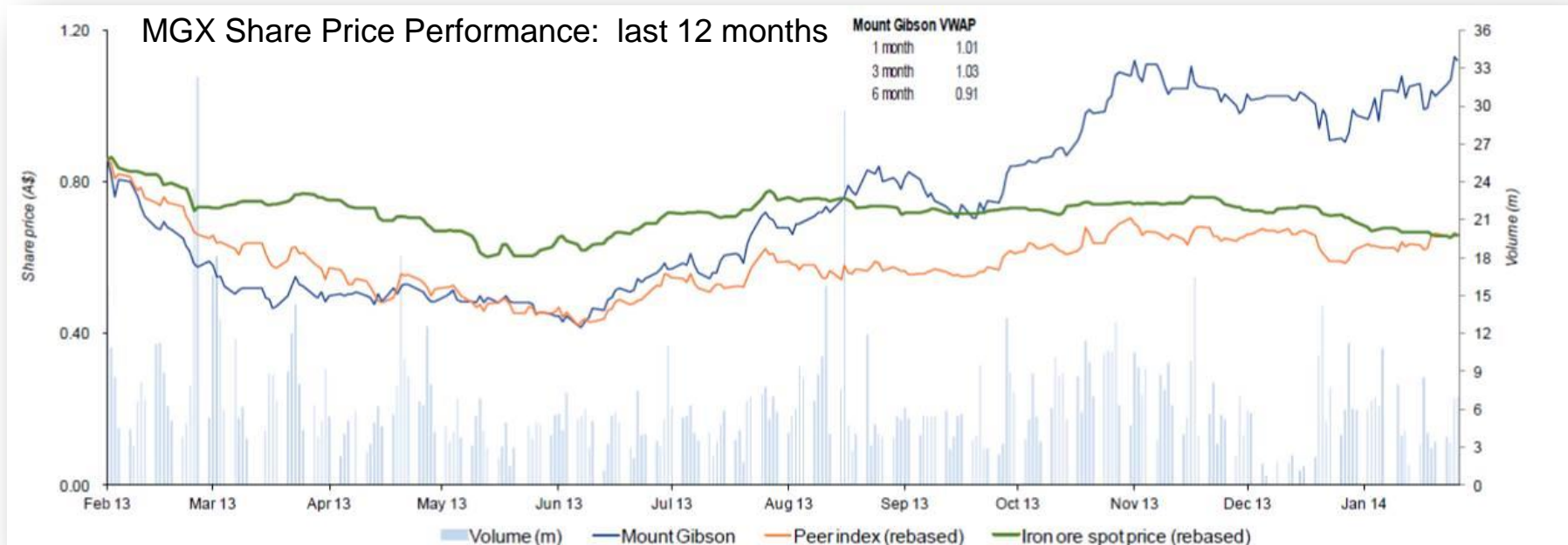
**9.0 to 9.5 Mt**

**Financially strong**

**\$484m cash, minimal debt\***

**Cash increased by \$108m since 30 June**

\*at 31/12/13.



# Business overview



## Koolan Island Mine

- Premium DSO lump and fines
- Ramping up to 4 Mtpa by end 2014
- Long life asset with life extension potential
- Simple logistics

## Mid West Region

Talling Peak, Extension Hill & Geraldton Port facilities

### Talling Peak

- Mine life extended to mid 2014
- Targeting ~2.5 Mt DSO sales in FY2014

### Extension Hill

- Low cost 3 Mtpa operation
- High potential near mine and regional exploration targets

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



H1 2014

## Another strong financial performance delivered



- Record sales revenue of **\$509.5m**, up 22% v pcp
- Net profit after tax of **\$78.3m**, up 111%
- Net operating cash flow of **\$170.6m**, up fourfold
- EBITDA of **\$212.1m**
- Cash reserves **up \$107.9m to \$483.9m** net of \$21.8m final dividend for 2012/13
- Total cost of goods sold \$77.90/wmt
- Minimal debt (equipment leases) of \$21.4m



H1 2014

# Another strong operating performance delivered



- Record ore sales of 5.1 Mt, up 15% v pcp
- Koolan ore sales of 2.0 Mt
- Mid West ore sales of 3.1 Mt
- On track to achieve record ore sales of 9.0 – 9.5 Mt in FY14
- Increase in ore reserves inventory\*
- Exploration confirmed potential to add to Extension Hill mine life\*\*
- Platts iron ore price now ~US\$123/t CFR (62%Fe)
- AUD around US\$0.90 with potential to ease

\*Refer ASX release 21 October 2013

\*\*Refer ASX release 13 February 2014





Six months ended:		31-Dec-2013	31-Dec-2012
Ore tonnes mined	<i>Mwmt</i>	3.6	3.6
Ore tonnes sold	<i>Mwmt</i>	5.1	4.4
Sales revenue	<i>\$ mill</i>	509.5	416.2
Interest income	<i>\$ mill</i>	7.4	5.9
Cost of goods sold	<i>\$ mill</i>	(395.8)	(349.3)
<b>Gross profit</b>	<b><i>\$ mill</i></b>	<b>121.1</b>	<b>72.8</b>
Admin and other expenses/income	<i>\$ mill</i>	(6.6)*	(15.8)
Finance costs	<i>\$ mill</i>	(3.1)	(3.8)
<b>Profit before tax</b>	<b><i>\$ mill</i></b>	<b>111.5</b>	<b>53.2</b>
Tax (expense)/benefit	<i>\$ mill</i>	(33.2)	(16.1)
<b>Net profit after tax</b>	<b><i>\$ mill</i></b>	<b>78.3</b>	<b>37.1</b>

\*Net of \$6.7m partial recovery of historical arbitration award.

## Cash operating costs driven lower

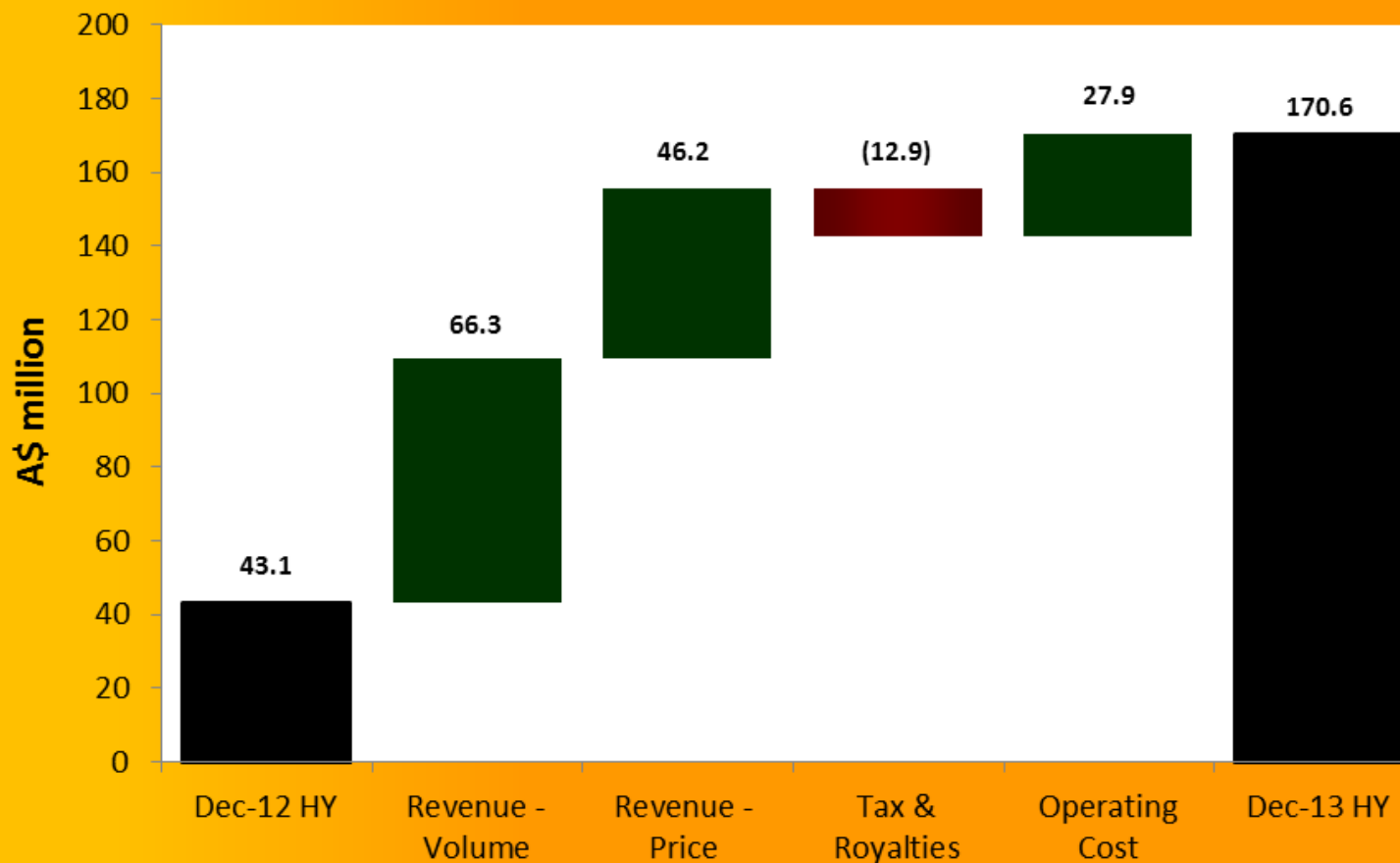
6months ended 31 December:	2013		2012	
Sales Volume (Mwmt)	5.1		4.4	
Sales Revenue (A\$m)	509.5		416.2	
Realised FOB Price (A\$/wmt sold, including penalties and FX hedging)	100.28		94.00	
Cost breakdown	A\$m	A\$/wmt sold	A\$m	A\$/wmt sold
Total Cost of Goods Sold	395.8	77.90	349.3	78.90
Less: depreciation and amortisation	(104.8)	(20.62)	(122.6)	(27.68)
Add: deferred waste mining costs	43.3	8.53	48.8	11.02
Add/(less): ore stockpiles inventory movement	(39.7)	(7.81)	18.1	4.10
<b>Cash operating expenditure including deferred waste mining and royalties</b>	<b>294.6</b>	<b>58.00</b>	293.6	66.34
Less royalties	(42.0)	(8.26)	(31.8)	(7.18)
<b>Cash operating expenditure excluding royalties</b>	<b>252.6</b>	<b>49.74</b>	261.8	59.16

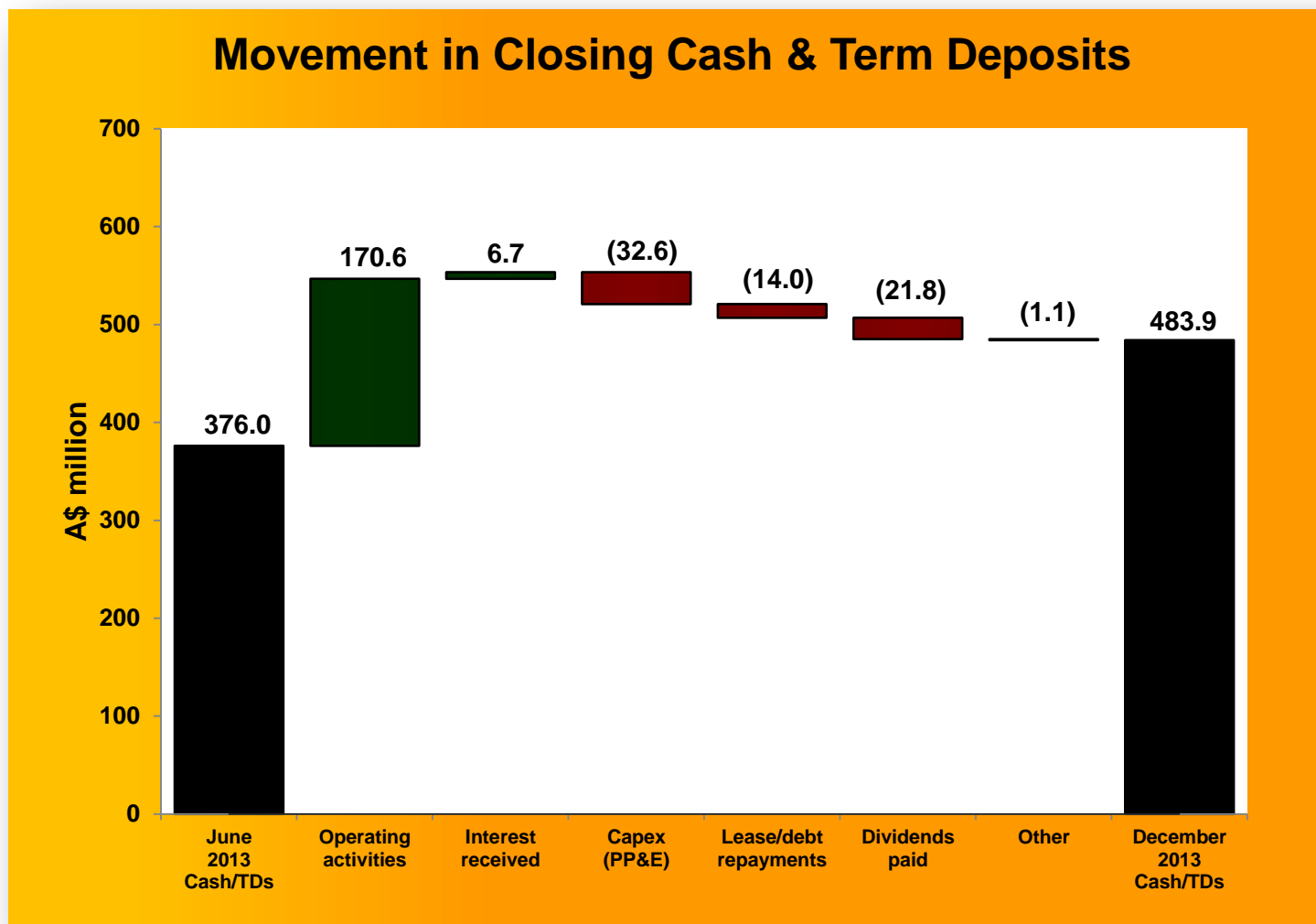


Significantly higher operating cashflows driven by higher sales volumes and prices, with falling unit cash costs



## Comparison of Operating Cash Flows





Capex on property, plant & equipment (PPE) includes truck and ancillary equipment purchases, centralisation of the Koolan Island mining administration centre and workshops, camp upgrades, development of the T1 satellite deposit at Talling Peak, exploration project purchases (Fields Find) and settlements of historical disputes.

# Maximising value – a simple strategy



Leverage off  
existing asset  
base to extract  
maximum value

- Cost reduction and elimination of waste
- Operational optimisation and business improvement
- Extension of production profile:
  - Optimise resources and reserves inventory
  - Brownfields exploration
  - Expand footprint within operational halo
  - Leverage off existing operations, logistics footprint, and customer relationships
- Capitalise on balance sheet strength to secure value creation opportunities



# Maximising value – 2 years of achievement



- ✓ Completed executive team rebuild
- ✓ Achieved permanent ongoing savings of ~\$50m per annum
- ✓ Optimised and commenced Koolan Island ramp-up to 4 Mtpa
- ✓ Koolan Island unit mining costs reduced to <\$9/t moved in H1 2014, within lower half of guidance range
- ✓ Doubled Geraldton Port export capability to 6 Mtpa
- ✓ Increased Ore Reserves in excess of depletion and extended Talling Peak life by a year
- ✓ Rejuvenated exploration strategy and increased landholding by ~70% to 630 sqkm
- ✓ Mid West exploration success at high potential Extension Hill South project
- ✓ Agreement reached to acquire advanced Shine Hematite Project

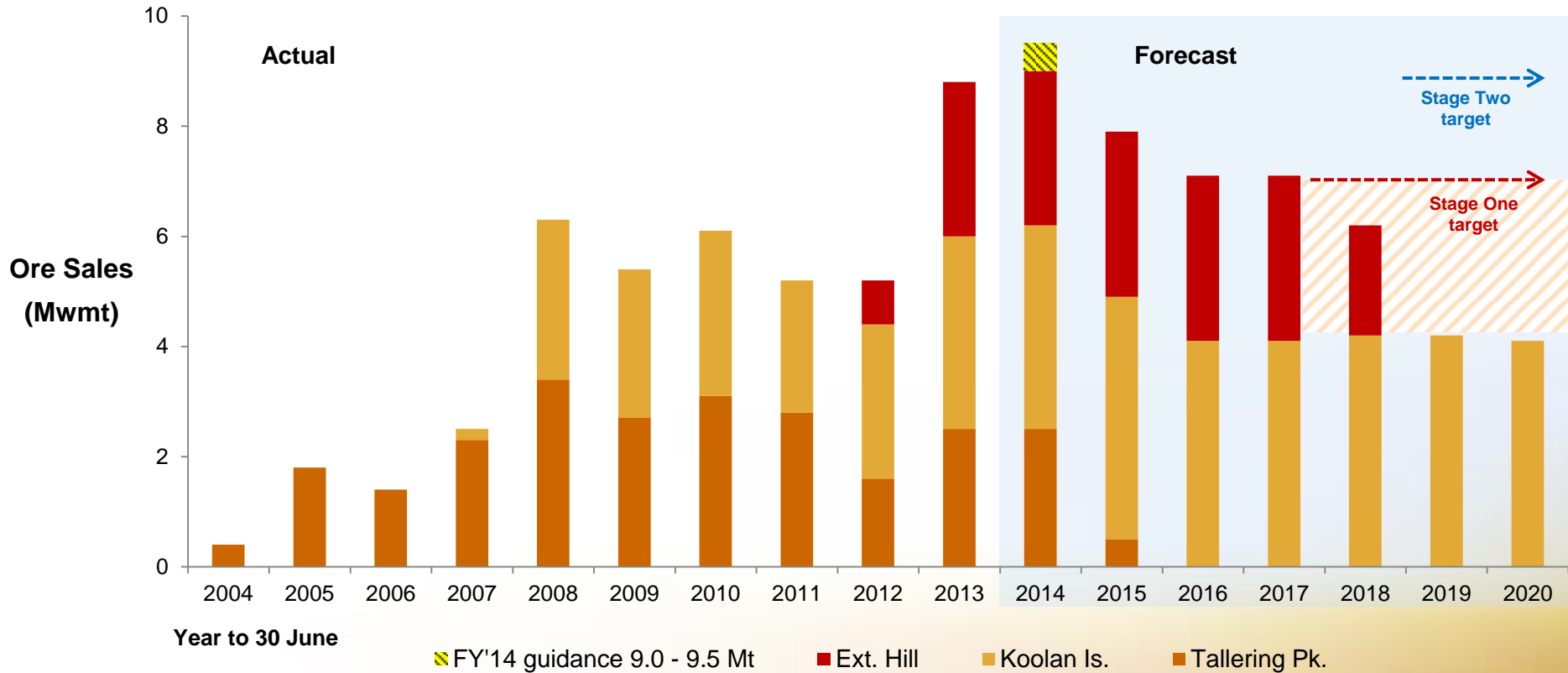




# Focused on adding to the sales profile



Ore sales history and current indicative outlook\*



\* Forecast ore sales shown are indicative only, and include all iron ore products. Actual future sales remain subject to future mine performance, continuous optimisation, exploration success and general market factors. Refer slide 28 for Group Ore Reserves at 30 June 2013.

Note: The above chart excludes the Shine Iron Ore Project, acquisition of which is anticipated to be completed in the current quarter.

# Koolan Island – a quality asset with upside



- Long life asset: +7 years
- Sought-after high-quality iron ore products
- Simple logistics - dedicated shiploader and no road or rail
- Optimised ramp up to 4Mtpa - reducing unit mining costs and increasing productivity
- Value-add opportunities:
  - Resource: reserve conversion potential
  - West End targets
  - Koolan South mainland exploration





# Koolan Island - a quality asset with upside



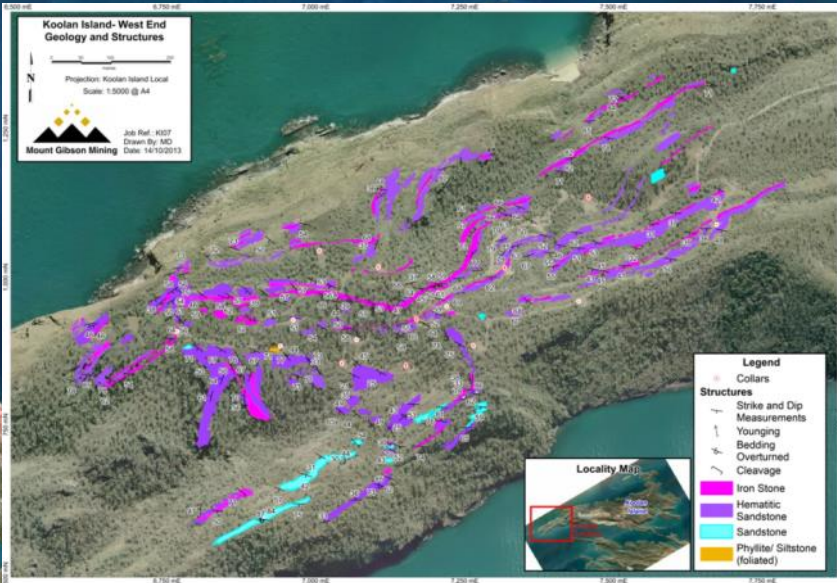
West End  
exploration  
targets



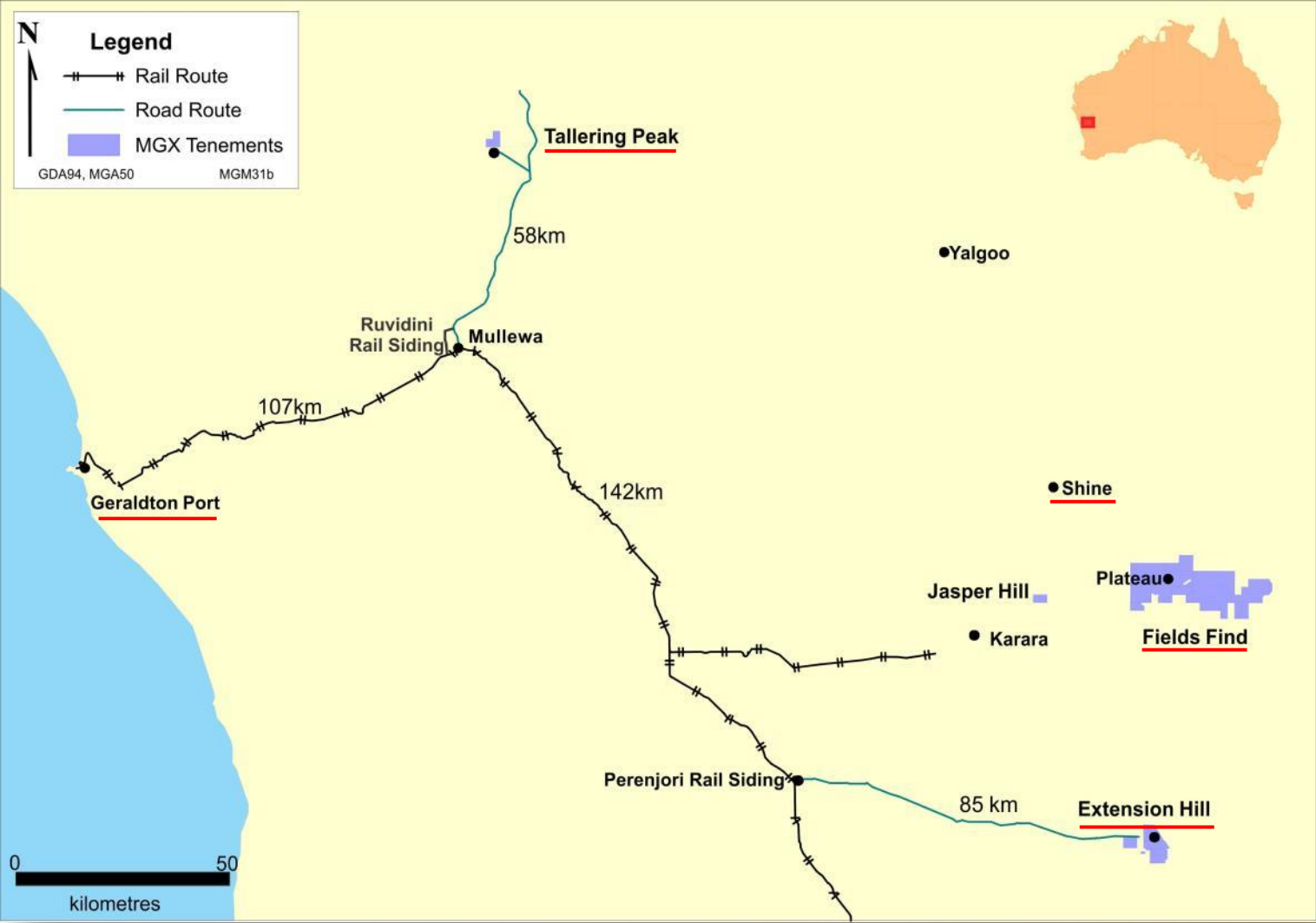
Acacia East  
deposit



Main Pit



# Mid West footprint – our competitive edge





# Geraldton Port – established infrastructure



Ship  
Loader



Rail  
Unloader



MGX  
Berth 5  
Shed

MGX  
Berth 4  
Shed

# Tallering Peak – extracting extra value



- Total ore sales of 2.5Mt targeted for FY2014
- T6 pit life extended to Feb 2014
- T1 ore production commenced in September 2013
- Mining operations to conclude mid 2014
- Stockpile sales of ~700kt in FY2014, final sales in Sept Qtr 2014
- Stockpile sales generate strong cash margins at current prices





# Extension Hill – simple low-cost operation



- Simple low-cost operation
- 3Mtpa operation with +3 years of mine life.
- Established road, rail and port solutions
- High potential near-mine exploration targets with known mineralisation
- Potential processing hub for regional opportunities



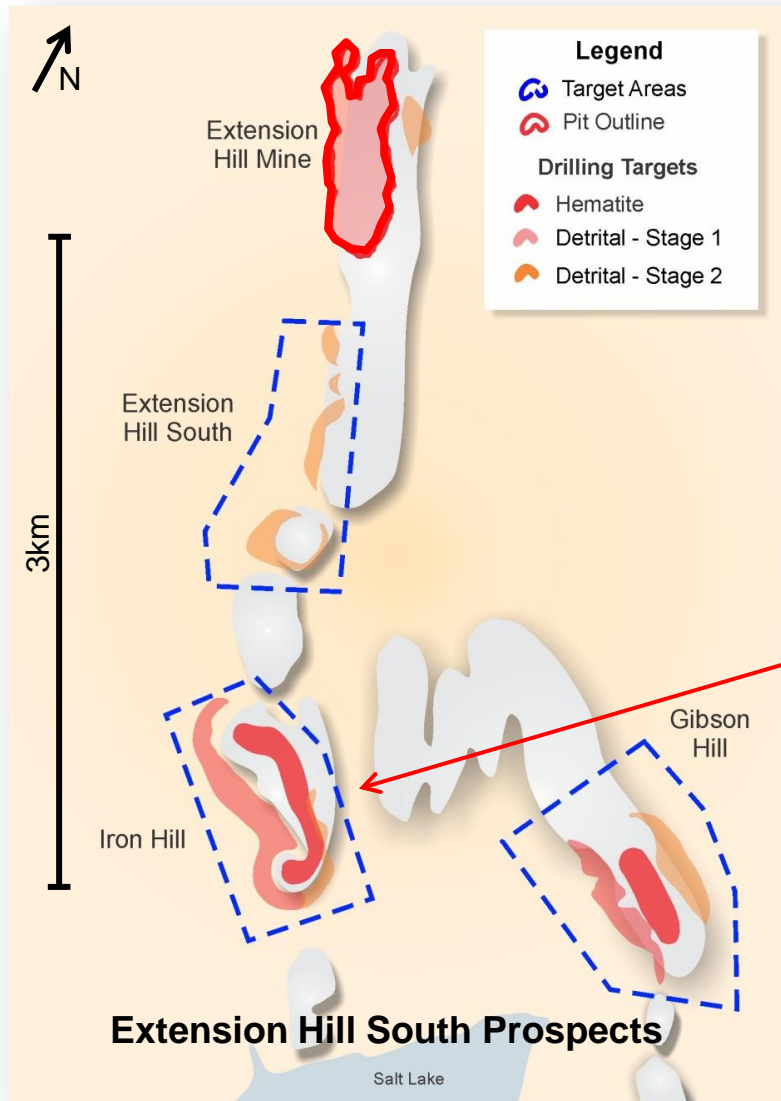
# High potential to grow Mid West resources



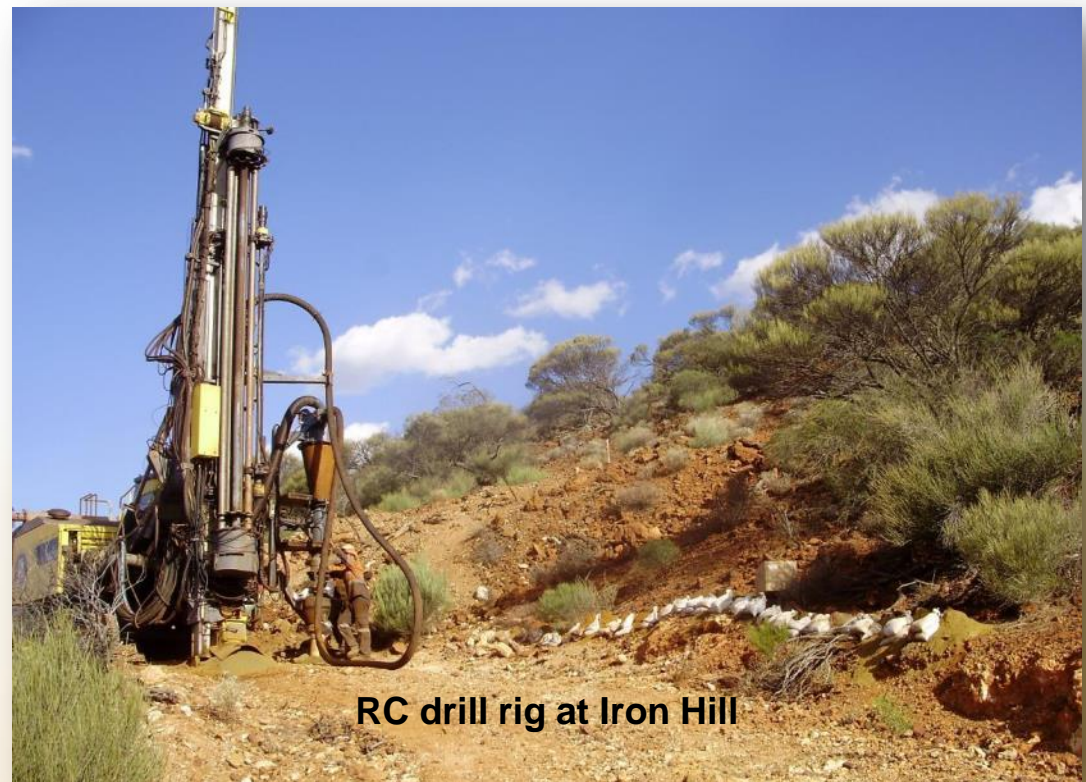
- Extension Hill region shaping as a potential resources hub
- Positive results from initial RC drilling at Extension Hill South
- Positive initial drilling from Plateau Prospect at Fields Find Project
- 2<sup>nd</sup> round drilling planned at both projects
- Shine Hematite Project acquisition – settlement anticipated March Qtr 2014



# Extension Hill South



- Multiple hematite targets located 1-3km from existing crusher, with known mineralisation
- 65 RC holes completed at Iron Hill Prospect in December 2013 with positive results\*
- 2<sup>nd</sup> round drilling planned mid 2014, subject to approvals

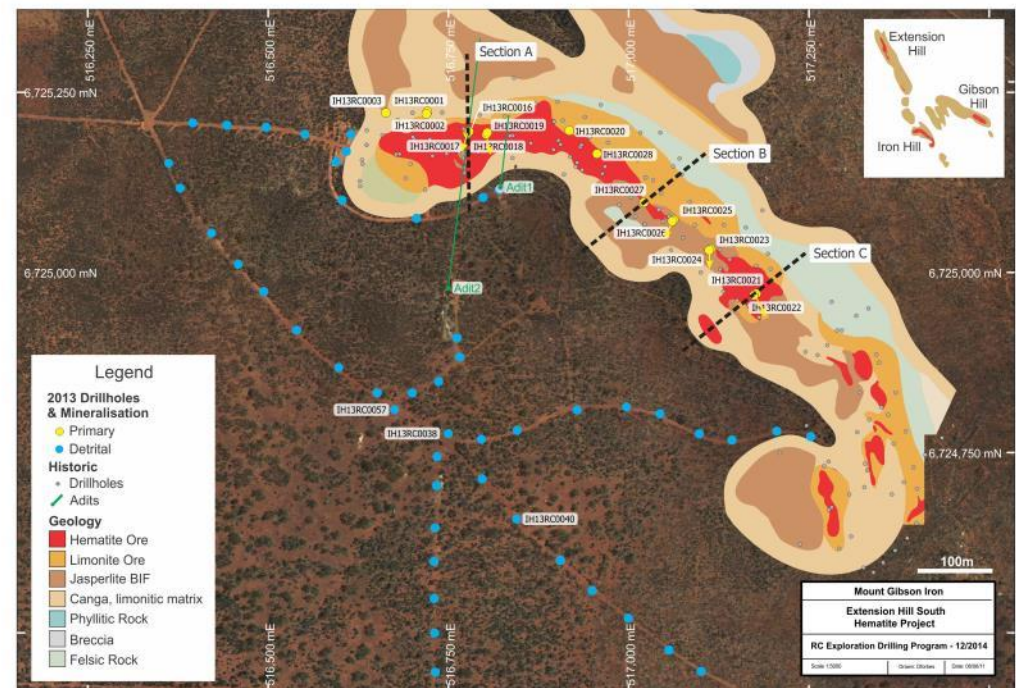
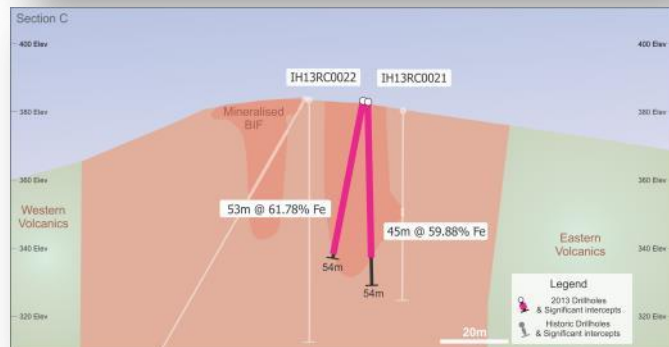
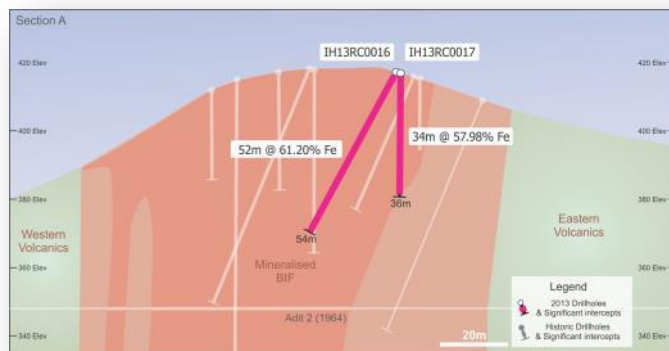


# Extension Hill South – Iron Hill Prospect



- **Significant intercepts in 15 of 16 holes targeting primary hematite, including:**
  - 22m @ 63.8% Fe from 18m downhole
  - 53m @ 61.8% Fe from surface
  - 52m @ 61.2% Fe from 2m
  - 49m @ 61.4% Fe from 5m

- **Planned 2<sup>nd</sup> round infill and confirmation drilling** to help validate historical data
- **Iron Hill Prospect Exploration Target of 5-7 Mt @ 58-61% Fe.** The potential quantity and grade of this Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in a Mineral Resource.\*



\*Refer ASX release 13 February 2014 and slide 28 for Competent Person information

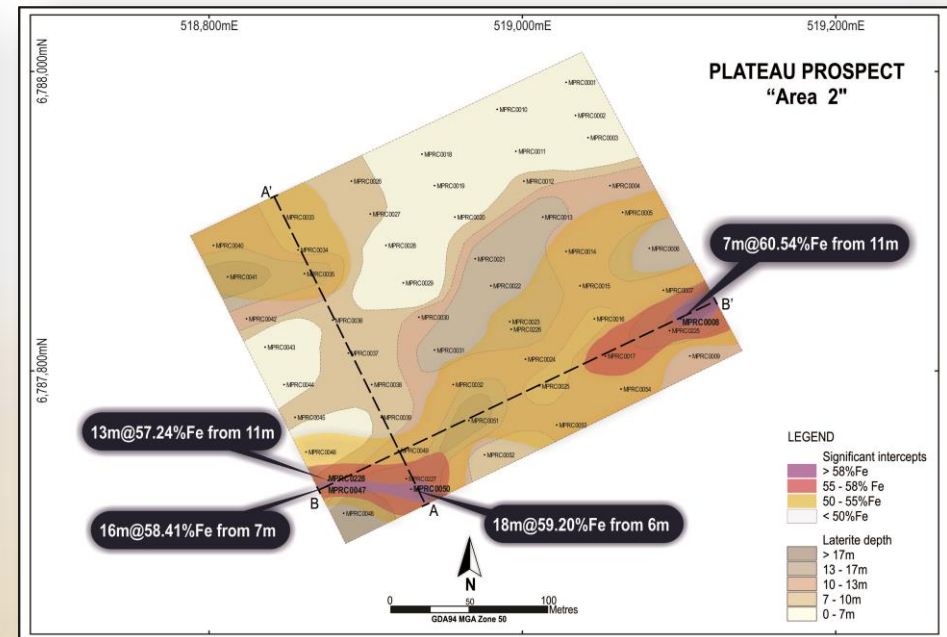
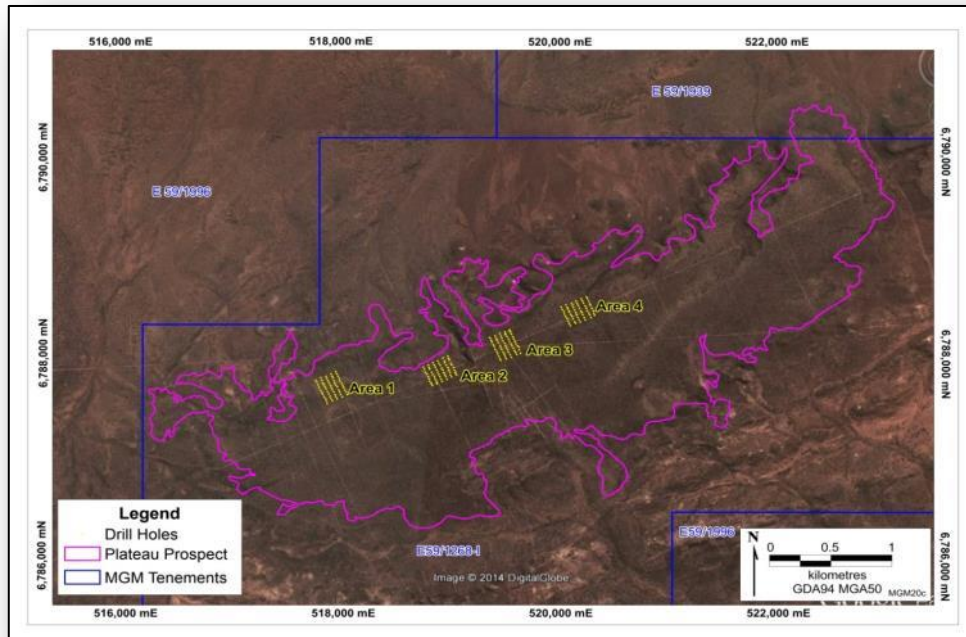
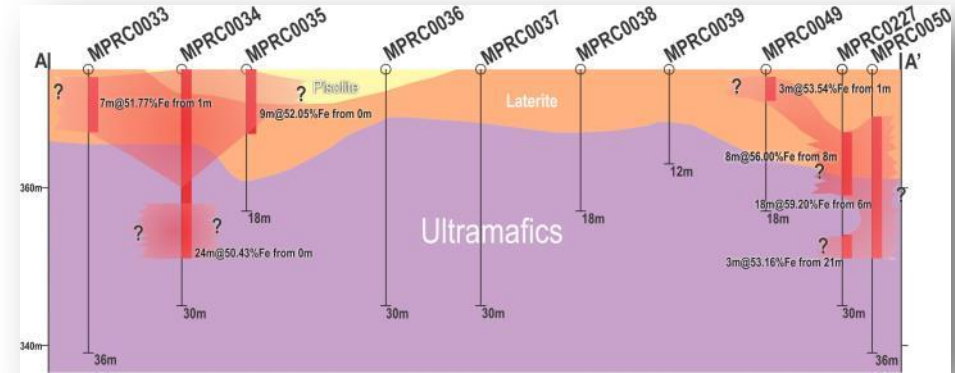


# Plateau Prospect, Fields Find



- Unconventional setting - iron-enriched laterite over ultra-mafic basement
- 228 hole RC program completed November 2013\*
- 114 significant intersections +50% Fe, including:
  - 18m @ 59.2% Fe, 16m @ 58.4% Fe, 7m @ 60.5% Fe
- Only 5% of 10sqkm prospect area drilled to date
- 2<sup>nd</sup> round drilling planned March/April 2014

\* Refer ASX announcement 21 Jan 2014





# Shine – a quality near-term opportunity



- Purchase agreement signed 9 December 2013\*
- Reported Hematite Mineral Resource of 6.1 Mt @ 59.8% Fe
- Potential for near term, low-capex development
  - High grade hematite resource
  - Substantial technical work completed
  - Advanced approvals/permitting
  - Close to existing MGX / 3<sup>rd</sup> party infrastructure
- \$12m upfront consideration, plus price participation royalty<sup>^</sup>
- FIRB approval received January 2014
- Settlement anticipated March Qtr



\*Refer ASX announcement 9 December 2013, and slide 29 for resource information.

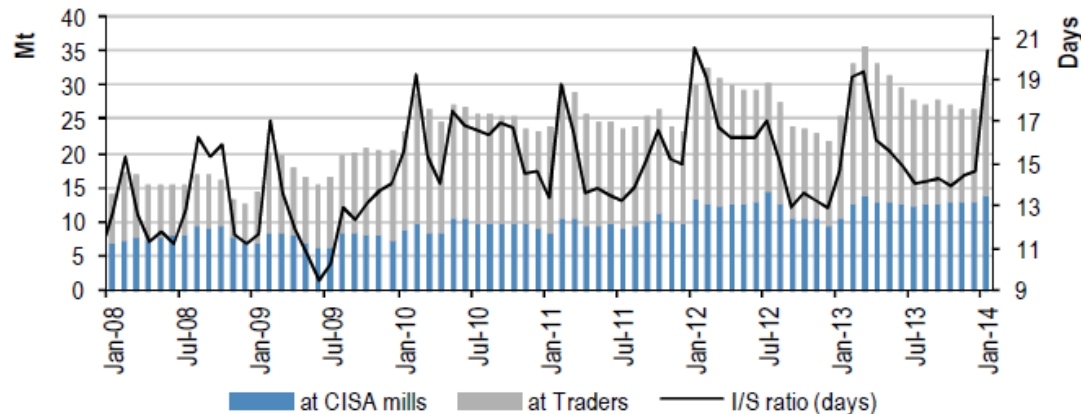
<sup>^</sup>Royalty includes \$3m non-refundable pre-payment of royalty obligations, payable on commencement of ore sales.

# Market outlook remains positive



## Steel inventories jumped during Chinese New Year

Figure 12: China steel mill and traders inventories



Source: Mysteel, CEIC, J.P. Morgan estimates.

## In the short term...

- Ore inventories at Chinese ports have undergone seasonal rebuilding typical around Chinese New Year
- Chinese steel mill production remains high
- Chinese economic growth is forecast to remain healthy at ~7% pa on a larger base
- Spot prices have firmed since the end of Chinese New Year as economic activity picks up following the holiday period

## And in the long term...

- The outlook for underlying iron ore demand growth remains healthy
- Planned supply side increases historically take much longer and deliver smaller volume increases than originally proposed
- The Australian dollar is widely expected to soften further from its current level around US\$0.90
- MGX will benefit from comparatively stronger A\$ iron ore prices and lower A\$ costs

# Summary



- An established mid-cap iron ore producer
- On track to sell a record 9.0 - 9.5 million tonnes in FY2014
- Strong operating cashflows and balance sheet
- Established transport infrastructure and long term customer contracts
- Exploration upside and disciplined value-focused growth strategy is delivering
- Experienced management team with demonstrated capacity to:
  - Optimise and drive operations to extract maximum value
  - Reduce costs and eliminate inefficiencies
  - Bring on new deposits in quick time





**Thank You**



**MGX**

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# Supplementary information

## Mineral Resources and Ore Reserves at 30 June 2013

Koolan Island					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	8.4	59.7	12.72	1.14	0.02
Indicated	44.6	64.5	6.21	0.77	0.01
Inferred	15.4	60.7	12.15	0.60	0.01
<b>Total</b>	<b>68.5</b>	<b>63.0</b>	<b>8.35</b>	<b>0.78</b>	<b>0.01</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	4.2	59.5	14.18	0.37	0.01
Probable	26.0	64.8	5.70	0.82	0.01
<b>Total</b>	<b>30.2</b>	<b>64.0</b>	<b>6.89</b>	<b>0.76</b>	<b>0.01</b>
Extension Hill					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	10.5	58.0	6.50	2.24	0.06
Indicated	4.1	58.1	9.06	1.61	0.07
Inferred	0.3	52.9	10.71	5.46	0.05
<b>Total</b>	<b>14.8</b>	<b>57.9</b>	<b>7.28</b>	<b>2.12</b>	<b>0.06</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	9.7	58.1	6.54	2.18	0.06
Probable	3.1	58.9	8.92	1.23	0.06
<b>Total</b>	<b>12.8</b>	<b>58.3</b>	<b>7.12</b>	<b>1.96</b>	<b>0.06</b>
Tallering Peak					
	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources above 50% Fe</b>					
Measured	2.0	60.0	5.53	3.27	0.04
Indicated	3.1	57.9	10.12	2.40	0.05
Inferred	0.3	54.7	15.56	2.99	0.05
<b>Total</b>	<b>5.4</b>	<b>58.5</b>	<b>8.72</b>	<b>2.76</b>	<b>0.04</b>
<b>Ore Reserves, above 50% Fe</b>					
Proved	0.5	59.8	6.39	2.91	0.05
Probable	1.6	58.1	10.93	1.88	0.04
<b>Total</b>	<b>2.1</b>	<b>58.5</b>	<b>9.81</b>	<b>2.14</b>	<b>0.04</b>
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

## Total Group Mineral Resources and Ore Reserves at 30 June 2013

Total Group Mineral Resources and Ore Reserves at 30 June 2013					
(above 50% Fe)	Tonnes millions	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>Mineral Resources</b>	88.6	61.9	8.19	1.12	0.02
<b>Ore Reserves</b>	45.2	62.1	7.09	1.16	0.03
NOTE: Discrepancies may appear due to rounding. Mineral Resources are reported inclusive of Ore Reserves.					

### Attributions

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Iron Limited group, 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gregory Hudson 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 Mineral Resources is based on information compiled by Elizabeth Haren, who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Elizabeth Haren 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'. Elizabeth Haren consents to the inclusion in the report of the matters based on her information in the form and context in which it appears. Elizabeth Haren was a full-time employee of, and is a consultant to Mount Gibson Mining Limited.

The information in this report relating to Ore Reserves is based on information compiled by Weifeng Li, who is a member of the Australasian Institute of Mining and Metallurgy. Weifeng Li 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'. Weifeng Li consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Weifeng Li is a consultant to Mount Gibson Mining Limited.

Refer ASX release 21 October 2013 for full details of Mineral Resources and Ore Reserves.

# Supplementary information

## Shine Hematite Mineral Resource

Resource Category	Tonnes (Mt)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
Measured	2.2	60.5	6.76	1.96	0.085	3.99
Indicated	3.2	59.6	8.23	1.61	0.074	3.90
Inferred	0.7	58.6	9.04	1.37	0.078	4.63
<b>Total</b>	<b>6.1</b>	<b>59.8</b>	<b>7.80</b>	<b>1.71</b>	<b>0.078</b>	<b>4.02</b>

57% Fe cut-off applied . Discrepancies may appear due to rounding.

*The Shine Hematite Mineral Resource, as reported in a statement to the ASX by Gindalbie Metals Ltd (Gindalbie) on 18 October 2012, is shown above. The Mineral Resource estimate was compiled by Snowden Mining Industry Consultants Pty Ltd (Snowden) and appears with the consent of both Snowden and Gindalbie. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

### **Competent Person Statement**

*The information in this report that relates to the Shine Mineral Resources is based upon information compiled by John Graindorge. John Graindorge is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a competent person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. John Graindorge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*As at 6 February 2014, acquisition of the Shine project remained incomplete, pending satisfaction of outstanding conditions precedent. Settlement is anticipated in February 2014.*

*Refer ASX release 9 December 2013 for full details of the proposed acquisition of the Shine hematite project.*