Profit Result for 2019/20 Financial Year & Declaration of Final Dividend

Key Points  (All figures expressed in Australian dollars unless stated otherwise)

- Total iron ore sales of **4.9 million wet metric tonnes** (Mwmt), comprising 2.3 Mwmt of Koolan Island high grade fines and 2.6 Mwmt of Mid-West low grade material (2018/19: 3.2 Mwmt).
- Profit before tax from continuing operations of **$121.1 million** (2018/19: $70.3 million).
- Net profit after tax of **$84.2 million** (2018/19: $133.4 million after the one-off recognition of deferred tax assets totalling $62.9 million).
- Cash and liquid investments of **$423.2 million** at 30 June 2020 (30 June 2019: $384.5 million).
- Operating cashflow of **$160.1 million** (2018/19: $59.4 million), before mine development expenditure ($64.3 million), purchases of plant & equipment ($26.3 million), lease repayments and other financing activities ($8.6 million), and interest income of $8.0 million.
- **Positive first year of high-grade ore production and sales** from the restarted Koolan Island operation, with the focus now on completing the planned elevated waste mining phase over the next 12-18 months to deliver significantly increased production and cashflow from 2021/22 onwards.
- **Successful Mid-West low grade sales program extended towards the end of 2020**, with further extensions under consideration.
- **Development decision** for the **Shine Iron Ore Project** expected in the September 2020 quarter.
- **Final dividend** for 2019/20 of **3.0 cents per share fully franked**, payable either in cash or shares to eligible shareholders through the Company’s Dividend Reinvestment Plan.
- Ore sales guidance for 2020/21 of **2.8-3.3 Mwmt** at a group cash cost* of **$60-65/wmt FOB** before waste stripping investment at Koolan Island of approximately $100 million and other Koolan capital improvement projects of approximately $20 million.

*Group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs, but exclude Koolan advance waste stripping and capital projects costs (as stated).

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, commented: “Mount Gibson delivered a robust financial result in the first full year of production from the restarted Koolan Island operation despite significant challenges from adverse weather and COVID-19 related restrictions. Net profit before tax rose over 70% to $121.1 million.

“The performance across our sites bolstered our cash and investment reserves and has positioned us to complete the planned stripping phase at Koolan Island that will enable significantly increased production and cashflow from next year onwards. Low grade ore sales from our Mid-West business, which we expect to extend into late 2020, will also continue to make an important contribution as we assess near term production opportunities such as the Shine Project as well as pursue our longer term growth ambitions.

“The Board is therefore pleased to declare a fully franked final dividend for the 2019/20 financial year of 3.0 cents per share, which takes total shareholder distributions since Mount Gibson’s first dividend in late 2011 to $309 million.”
## Group Summary Results
(all currency expressed in Australian dollars)

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 June 2020</th>
<th>Year ended 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physicals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ore mined</td>
<td>2.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Ore sold</td>
<td>4.9</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Realised Price:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average realised price, all products, after shipping freight (FOB)</td>
<td>$/wmt 84</td>
<td>$/wmt 73</td>
</tr>
<tr>
<td><strong>Continuing Operations (Extension Hill &amp; Koolan Island):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales revenue</td>
<td>$m 445.2</td>
<td>$m 278.4</td>
</tr>
<tr>
<td>Interest income</td>
<td>$m 7.1</td>
<td>$m 11.1</td>
</tr>
<tr>
<td>Cost of sales, including shipping freight</td>
<td>$m (328.6)</td>
<td>$m (204.3)</td>
</tr>
<tr>
<td><strong>Gross profit from continuing operations</strong></td>
<td>$m 123.7</td>
<td>$m 85.2</td>
</tr>
<tr>
<td>Other income</td>
<td>$m 17.7</td>
<td>$m 4.7</td>
</tr>
<tr>
<td>Administration and other expenses</td>
<td>$m (18.8)</td>
<td>$m (18.1)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>$m (1.5)</td>
<td>$m (1.5)</td>
</tr>
<tr>
<td><strong>Profit before tax from continuing operations</strong></td>
<td>$m 121.1</td>
<td>$m 70.3</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td>$m (36.6)</td>
<td>$m 63.0</td>
</tr>
<tr>
<td><strong>Profit after tax from continuing operations</strong></td>
<td>$m 84.5</td>
<td>$m 133.3</td>
</tr>
<tr>
<td>Profit/(loss) after tax from discontinued operations (Tallering Peak)</td>
<td>$m (0.3)</td>
<td>$m 0.1</td>
</tr>
<tr>
<td><strong>Net profit after tax</strong></td>
<td>$m 84.2</td>
<td>$m 133.4</td>
</tr>
<tr>
<td><strong>Dividend per share, fully franked</strong></td>
<td>$/share 3.0</td>
<td>$/share 4.0</td>
</tr>
</tbody>
</table>

Totals may not add due to rounding.

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### Earnings Summary

Mount Gibson Iron Limited (Mount Gibson or the Company) recorded a net profit after tax of $84.2 million for the year ended 30 June 2020 on total iron ore sales of 4.9 million wet metric tonnes (Mwmt). The result compares with a net profit after tax of $133.4 million in 2018/19 which included the one-off recognition of deferred tax assets totalling $62.9 million.

Total sales revenue, including shipping freight services for various Mid-West sales contracts undertaken on a “Cost and Freight” (CFR) basis, totalled $445.2 million. Net of shipping freight, total sales revenue was $415.0 million “Free on Board” (FOB). This compares with last year where total sales revenue was $278.4 million CFR and $232.7 million FOB.

Significantly, profit before tax from continuing operations rose 72% to $121.1 million, compared with $70.3 million in 2018/19. As at 30 June 2020, the Company had total carry forward tax losses of $116.7 million (net 30% value of $35.0 million), which are expected to be recouped during the next two years, following which the Company will resume paying cash income taxes.

The Group’s average cost of sales rose to $60/wmt FOB compared with $50/wmt FOB in 2018/19, reflecting the first full year of production at Koolan since the restart in the final quarter of the prior year, as well as additional costs associated with disruption from unseasonal wet weather and COVID-19 restrictions.

### COVID-19 Business Response

From early March 2020, the COVID-19 global pandemic necessitated significant and evolving responses by industry and government to slow the transmission rate of the virus, including restrictions on the movement of people into and within Australia, and strict social distancing requirements. Accordingly, a range of measures were implemented across Mount Gibson’s operations consistent with advice from state and federal health authorities. These were particularly stringent for the Koolan Island operation which was subject to travel restrictions imposed by the Western Australian Government and Federal Government biosecurity requirements from late March to early June 2020. Measures included pre-travel screening and declarations,
social distancing during travel and on site, enhanced cleaning and personal hygiene protocols, extended rosters to minimise travel, support for the relocation of interstate personnel to WA, and replacement of commercial flights for Koolan Island personnel with dedicated jet charter services. Non-essential work was deferred and a freeze placed on interstate recruitment.

The subsequent staged relaxation of travel and social restrictions allowed a return to “normal” FIFO rosters (notably 2 weeks on/1 week off) from June. However, various general protocols have been maintained to reduce the risk of virus transmission. Mount Gibson remains ready to respond promptly in the event of any required reinstatement of government restrictions.

**Realised Pricing**

The Company’s financial performance was assisted by continued strong iron ore prices over the year. At the beginning of the financial year the Platts Index for delivery of 62% Fe iron ore fines CFR to northern China was approximately US$121 per dry metric tonne (dmt), reflecting the continued impacts of supply disruption in Brazil. The index generally traded between US$80-90/dmt before rising from May to finish and average the year at US$101/dmt and US$93/dmt respectively. The price for ores grading 65% Fe averaged US$105/dmt for the year, reflecting an average (grade adjusted) premium to the Platts 62% Fe Index of 7%, while ores grading 58% Fe averaged US$75/dmt, reflecting an average discount of 13%. The Company also benefited from a lower Australian dollar which averaged A$1.00/US$0.671 over the year, compared with US$0.715 in the prior year.

Stronger pricing and a greater volume of high grade sales from Koolan Island resulted in Mount Gibson achieving an average realised price for all products sold (including realised foreign exchange and commodity hedging movements) of $84/wmt FOB in the year compared with $76/wmt FOB in 2018/19. Sales from Koolan Island realised an average price of US$87/dmt FOB for the year. Sales from the Mid-West comprised remnant low grade material from Extension Hill, which was sold on a fixed price basis and realised an average of US$27/dmt FOB for fines and US$36/dmt FOB for lump material.

**Cashflow Summary**

The Group’s cash and investment reserves, including term deposits and liquid investments, totalled $423.2 million at 30 June 2020, an increase of $38.7 million from the prior year. The increase reflected operating cashflow of $160.1 million, interest received of $8.0 million, capital expenditure comprising mine development expenditure ($64.3 million) and the purchase of plant & equipment ($26.3 million), financing cashflows comprising lease repayments and other financing costs ($8.6 million), other investing activities ($3.8 million) and payment in October 2019 of the $26.4 million cash component of the final 2018/19 fully franked dividend to shareholders.

As at 30 June 2020, the Company’s current assets totalled $486.7 million and current liabilities totalled $81.1 million. The Company has no bank borrowings with its liabilities related predominantly to trade payables, equipment lease obligations, employee entitlements and provisions for rehabilitation.

Group cash costs, comprising operating costs, sustaining capital and royalties, averaged $72/wmt FOB for the year, before Koolan Island airstrip construction expenditure of $14 million, compared with $53/wmt FOB in the prior year when the high grade Koolan operation was in commercial production for only the final month of that year.

**Koolan Island Operations**

At Koolan Island, the primary focus of activity in the 2019/20 financial year was on continuing the operational ramp-up following the commencement of ore sales in the June 2019 quarter. The mine generated earnings before interest and tax of $102.4 million in 2019/20, reflecting the first full year of ore production and sales since restart as well as the continued strong pricing and demand for Koolan Island’s high grade iron ore products.

Geotechnical works on the island-side Main Pit footwall (including depressurisation drilling, cable bolting, shotcreting and installation of safety mesh) continued to plan. Instrumentation continues to demonstrate that the seawall, which incorporates the installed impermeable seepage barrier and has been under full tidal loads since late 2018, is safe and performing to design expectations.
Ore production and waste mining progressively improved over the first half of the year as measures were implemented to improve groundwater management, mining conditions and productivity. Mining was adversely impacted by cyclonic wet-season rainfall in the March quarter and unseasonal heavy rain in May, as well as the presence of remnant sediments which substantially slowed mining in the western end of the Main Pit until late June. Operating efficiency was also adversely impacted by the previously noted COVID-19 restrictions. These factors contributed to the Company withdrawing its sales and cost guidance in March.

Mining and production performance improved substantially in the June quarter, despite the heavy rainfall in May, with total material movement increasing by 5%, ore production increasing 48% and ore sales increasing 17% compared with the March quarter. Total material movement for the year was 15.2 million tonnes with ore sales totalling 2.3 Mwmt for the year. The average grade of ore shipped in the year was 65.6% Fe.

Given the accelerated waste stripping rate, wet weather impacts and COVID-19 restrictions, the average cash cost of sales was $99/wmt FOB for the year. Cash costs include capitalised waste investment of $41.2 million but exclude $14 million spent on construction of a new 2.1km long airstrip in the centre of the island. Work on the airstrip commenced in early 2020 with an expected cost of $20 million, and the facility is expected to deliver significant safety, efficiency and cost reduction benefits to the Koolan Island operation by enabling direct jet flights from Perth. The COVID-19 pandemic has further demonstrated the value of this development. Foundation earthworks, pavement sealing activities and line-marking works were completed by year-end, with remaining ancillary works and regulatory certification anticipated to be completed in the September 2020 quarter. First flights are anticipated to commence in October 2020.

**Mid-West Operations**

The Mid-West Operations delivered a solid financial and operating performance during the year and generated earnings before interest and tax of $23.3 million.

Final high grade sales from the Iron Hill deposit at Extension Hill were completed in the prior financial year but renewed market interest in lower grade material enabled Mount Gibson to commence shipments of historically uneconomic stockpiled low grade material (51-54% Fe) from the Extension Hill mine site in June 2019. Sales are conducted on a fixed price basis and cashflow from the program is modest, however these sales also assist in final site rehabilitation works.

After initially targeting sales of approximately 1.0 Mwmt of remnant low grade material, continued customer demand enabled the successful extension of the program resulting in total sales for the year of 2.6 Mwmt comprising 1.4 Mwmt of lump material and 1.2 Mwmt of fines at an average site cash cost of $41/wmt FOB. Total low-grade sales since commencement of the program have now exceeded 2.8 Mwmt. Sales are anticipated to continue towards the end of calendar 2020 based on available low grade stockpiles.

**Shine Iron Ore Project**

Development of the Shine iron ore project, approximately 85km north of the Extension Hill mine site, was previously deferred in late 2014 amid deteriorating market conditions. The project now represents a potential near-term production opportunity with minimal start-up capital requirements.

Development planning is consequently progressing rapidly given positive prevailing market conditions and outlook. State environmental approval was successfully renewed in the June 2020 quarter, and the various other regulatory approvals required for development are being progressed. Mount Gibson is reassessing previously reported capital expenditure and operating cost estimates in light of optimised open pit mine planning and available logistics/transport options.

Mount Gibson expects to complete its assessment and consider a development decision during the current September 2020 quarter.

**Extension Hill Rail Refund/Credit**

Mount Gibson has an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, based upon the future usage by certain third parties of segments of the Perenjori-Geraldton railway line. This entitlement commenced upon termination of the Company’s then-existing rail agreements
in early 2019, and is calculated at various volume-related rates, and capped at a total of approximately $35 million (subject to indexation) and a time limit expiring in 2031.

The first payment was received in September 2019 and the entitlement is currently accruing as a receivable at a rate of approximately $2.0 million per quarter, with payments due every six months. The total amount received during the year was $8.3 million.

Outlook

Mount Gibson’s overall objective is to maintain and grow long-term profitability through the discovery, development, operation and acquisition of mineral resources. The Board has determined the following key business objectives for the 2020/21 financial year:

- **Koolan Island** – commission the new airstrip and substantially complete the elevated stripping phase of the life-of-mine plan in order to maximise sales and cashflow over the remainder of the mine life as the waste/ore stripping ratio and costs decline and ore shipments increase.
- **Extension Hill** – extend the current program of Extension Hill low-grade sales should favourable market prices continue and transition the site to final closure.
- **Shine** – complete development planning and, subject to a favourable assessment outcome, bring the project into production.
- **Cost reductions** - continue to drive for sustainable cost improvements across all business units.
- **Treasury returns** – maintain an appropriate yield on the Group’s cash and investment reserves while preserving capital for future deployment.
- **Growth projects** - continue the search for acquisition opportunities in the resources sector.

At Koolan Island, the focus is on increased mining movements to substantially complete the planned open pit waste stripping phase over the next 12-18 months, to enable significantly increased ore shipment levels from next financial year onwards. Total mining volumes in 2020/21 are targeted to increase by approximately 50% (with a waste to ore strip ratio of ~9.4x) compared with the 2019/20 year, and unit mining and administration costs, including all logistics and sustaining capital expenditure, are targeted to reduce to around $9 per tonne of material (ore or waste) moved. Reported cash costs per tonne of ore sold will necessarily remain at elevated levels over the year due to the elevated strip ratio and the lower ore production during this waste stripping phase. Ore sales will vary from quarter to quarter, with the site targeting 2-3 shipments per month. Shipments are weighted towards the second half of the financial year, with sales for the December 2020 quarter expected to be lowest as the waste movement cycle reaches its peak.

Koolan Island is expected to contribute 1.8-2.1 Mwmt of high grade iron ore fines sales in the year, with site operating cash costs expected to average $60-65/wmt FOB before advanced waste stripping investment of approximately $100 million and other Koolan capital improvement projects of approximately $20 million. These projects include an upgrade of the existing crushing plant to modernise aged components and ensure it will be capable of processing the significantly increased ore throughout expected to occur from next financial year onwards.

In accordance with the Koolan life-of-mine plan, Mount Gibson originally anticipated that the waste stripping investment in the next year would not result in a positive cashflow for the 2020/21 financial year. However, net cashflow from Koolan this year will likely be modestly positive at prevailing iron ore prices. Following this investment, the operation will see substantial increases in production, sales and cashflow generation from next financial year onwards, in line with the life-of-mine plan.

The Mid-West operations are expected to contribute 1.0-1.2 Mwmt at an average all-in cash cost of $40-45/wmt FOB, comprising the sale of remnant low grade material from the Extension Hill site. Any sales contribution from Shine will depend on a favourable development decision and the timing of commencement.

On a Group basis over the full year, Mount Gibson expects total sales of 2.8-3.3 Mwmt at a group cash cost of $60-65/wmt FOB before the previously mentioned waste stripping investment and improvement projects at Koolan Island. Group guidance will be updated in due course for the Shine project, as appropriate.
Dividend

The Board has declared a fully franked final dividend for the 2019/20 financial year of 3.0 cents per share, totalling $34.8 million, effectively exhausting the Company’s presently available franking credits. The dividend has not been provided for in the Company’s 30 June 2020 financial statements.

The dividend will be payable either in cash or in shares to eligible shareholders as part of the Company’s Dividend Reinvestment Plan (DRP). Shares issued under the DRP will be allocated at a 5% discount to the volume-weighted average price of Mount Gibson’s shares for the five trading days after the Record date. The DRP will be open to shareholders with registered addresses in Australia, New Zealand, Hong Kong, Singapore and the United Kingdom. All eligible shareholders are encouraged to refer to the DRP Information on the Company’s website.

The proposed dates for the 2019/20 final dividend are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 September 2020</td>
<td>Ex-dividend date</td>
</tr>
<tr>
<td>2 September 2020</td>
<td>Record date</td>
</tr>
<tr>
<td>14 September 2020 (5:00pm AEST)</td>
<td>Last date/time for applications to join, cease or vary participation in the DRP</td>
</tr>
<tr>
<td>24 September 2020</td>
<td>Payment date</td>
</tr>
<tr>
<td>25 September 2020</td>
<td>Proposed DRP share issue date</td>
</tr>
</tbody>
</table>

Annual General Meeting (AGM)

Due to COVID-19 travel restrictions, Mount Gibson will this year hold an online virtual AGM at 3:00pm AEDST (12:00 noon WA time) on Wednesday 11 November 2020. Shareholders will not be able to attend in person at the AGM. Documentation relating to the Notice of AGM and how shareholders may access, vote and ask questions within the online meeting room will be provided to shareholders in early October 2020.

Annual Financial Statements

Full details of Mount Gibson’s 2019/20 financial results are available in the Appendix 4E and annual financial statements released to the ASX today and are also available on the Company’s website.

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Mount Gibson will host an analysts/institutions teleconference at 11.00am AEST today, Wednesday 19 August 2020. Investors will be able to listen in to the teleconference by dialing 1300 289 804 immediately prior to the scheduled start time and entering the access code 18314558# at the prompts. A recording of the teleconference will also be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached by calling 1300 289 804 (Australian callers) or +61 3 8788 6028 (overseas callers).