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ASX ANNOUNCEMENT

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Completion of Koolan Island Processing Plant Upgrade & Operations Update

- Successful completion of the Koolan Island crushing plant upgrade, with commissioning now underway.
- Progression of the Koolan Island waste stripping program with access to increasing volumes of high grade ore scheduled through the March and June 2022 quarters, as planned.
- The Koolan Island waste to ore stripping ratio averaged approximately 15:1 in the FY22 December half-year and is expected to fall significantly to average approximately 6:1 in the FY22 June half-year as waste stripping requirements reduce and ore production builds. From July next year the stripping ratio will continue to progressively decline and is expected to average approximately 1.5:1 over the following five year period, resulting in commensurate reductions in unit cash costs and expected increases in operating cashflows.
- Total shipments of 0.7 million wet metric tonnes (Mwmt) have been made in the FY22 December half-year comprising 0.4 Mwmt from Koolan Island and 0.3 Mwmt from Shine. Full year FY22 Group ore sales are targeted at 2.0 Mwmt, comprising 1.7 Mwmt from Koolan Island (previously 2.0 Mwmt) and 0.3 Mwmt from Shine (guidance previously withdrawn).
- Transition of the Mid-West Shine operation to care and maintenance as announced in early October has been completed, pending a restart assessment in 2022.
- Strong COVID-19 vaccination response from all site personnel, minimising disruptions.

Mount Gibson Iron Limited (**Mount Gibson**) Chief Executive Officer Peter Kerr said: "We are pleased to report progress on a number of key fronts which positions Mount Gibson to achieve a substantially improved sales and cost performance in 2022.

"Most significantly, the major waste stripping program at Koolan Island has progressed to the point where the substantial investment we've been making will lead to increased sales of high-grade ore in the first half of next year and establish the mine to create significant cashflows over the following five years."

Koolan Island

Koolan Island is on track for improved mining and shipment volumes of high grade iron ore in the FY22 June half-year as the major waste stripping program progresses and key capital projects are completed. In particular, the upgrade of the Koolan Island crushing facilities has been completed and commissioning is now underway.

The crusher upgrade was completed in two stages, with the first stage to reconfigure the lump and fines stacker circuits concluded in the prior quarter. The more significant second stage of the upgrade involved the installation of a new run-of-mine (ROM) ore retaining wall, feed bin, jaw and cone crushers and upgraded screening, scalping and conveyor capacity.

In parallel with the crusher upgrade, Mount Gibson has continued to progress the major waste stripping program within the Main Pit with more than 9 million tonnes of ore and waste material mined in the FY22 December half-year.

The Koolan waste to ore stripping ratio averaged approximately 15:1 (i.e. 15 tonnes of waste for every tonne of ore extracted) in the FY22 December half-year and is expected to fall significantly to average approximately 6:1 in the FY22 June half-year. This reflects the anticipated reductions in the waste stripping requirements and the scheduled increase in high grade iron ore production from the Main Pit.

From the end of FY22 the stripping ratio will continue to progressively decline and is expected to average approximately 1.5:1 over the following five year period, resulting in a significant reduction in total mining movement and unit cash costs per tonne shipped, and an anticipated substantial increase in operating cashflows.

As previously disclosed, shipments from Koolan Island have been limited while the waste stripping program is at its highest. For the FY22 December half-year period, shipments will total approximately 0.4 Mwmmt and, accordingly, the cash draw in the December quarter will be a similar level to the previous quarter. Shipments and ore quality will rise during the March and June 2022 quarters towards the Ore Reserve grade of 65% Fe, with the sales target for Koolan Island for FY22 being 1.7 Mwmmt, including approximately 1.3 Mwmmt in the FY22 June half year. The reduction from the previous full year target of 2.0 Mwmmt reflects the impacts of the advanced waste stripping program and associated ground support works on the upper Main Pit footwall, as well as labour shortages experienced due to the COVID-19 pandemic.

The ground support works on the upper footwall in the western end of the Main Pit are progressing satisfactorily but have taken longer than originally anticipated. Importantly, the works have been undertaken in a controlled manner and are expected to provide safe mining access to high-grade ore in the western and central areas of the Main Pit from early in the March 2022 quarter.

Mid-West Shine Operation

In the Mid-West, the focus has been on the orderly ramp down of activities at the Shine mine site with additional shipments of stockpiled material being completed in the quarter. In addition to the planned final shipment of lump ore in October, the Company negotiated a further two shipments of fines material.

Sales from Shine in the December half-year will consequently total approximately 0.3 Mwmmt. Sales guidance for the Shine operation had previously been withdrawn.

As previously reported, Mount Gibson made the difficult decision to suspend operations at Shine in response to the rapid deterioration in market conditions since mid-2021, in particular lower iron ore prices and rising product discounts and shipping freight rates. The site will be held on a low-cost care and maintenance program pending a reassessment of market conditions and reopening options in 2022. In the meantime, many of the Company's employees at Shine have been redeployed to Koolan Island, helping to alleviate some of the ongoing labour pressures in certain areas at that operation.

Given the suspension of the Shine operation, it is likely that the book carrying value of the business unit will be impaired and written down for accounting purposes by approximately \$40-45 million (before tax) at 31 December 2021. This amount remains subject to final period-end adjustments.

COVID-19 Status

Mount Gibson is pleased to report that over 98% of all site-based employees and contractors across its operations have received one or both of their COVID-19 vaccinations in accordance with the deadline imposed by the Western Australian Government's mandatory vaccination requirements. This outstanding response

from Mount Gibson's personnel has enabled the Company to avoid major disruptions related to the mandatory vaccination requirement in the Western Australian resources sector.

Sustainability Report

Mount Gibson recently published its 2021 Sustainability Report which can be obtained from the Company's website. The Report contains detailed information regarding the Company's carbon emissions and its work in seeking associated reductions, some of which will be derived from scheduled lower total material movement at Koolan Island over the next five years.

The report also details the Company's significant economic contribution and positive performance with regard to operational safety and workforce diversity, demonstrating Mount Gibson's commitment to the responsible development of its mineral resources.

Authorised by:

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Koolan Island Photographs



Figure 1: The upgraded Koolan Island crushing facility, showing the new ROM ore retaining wall, feed bin, jaw and cone crushers and screening circuits, December 2021.

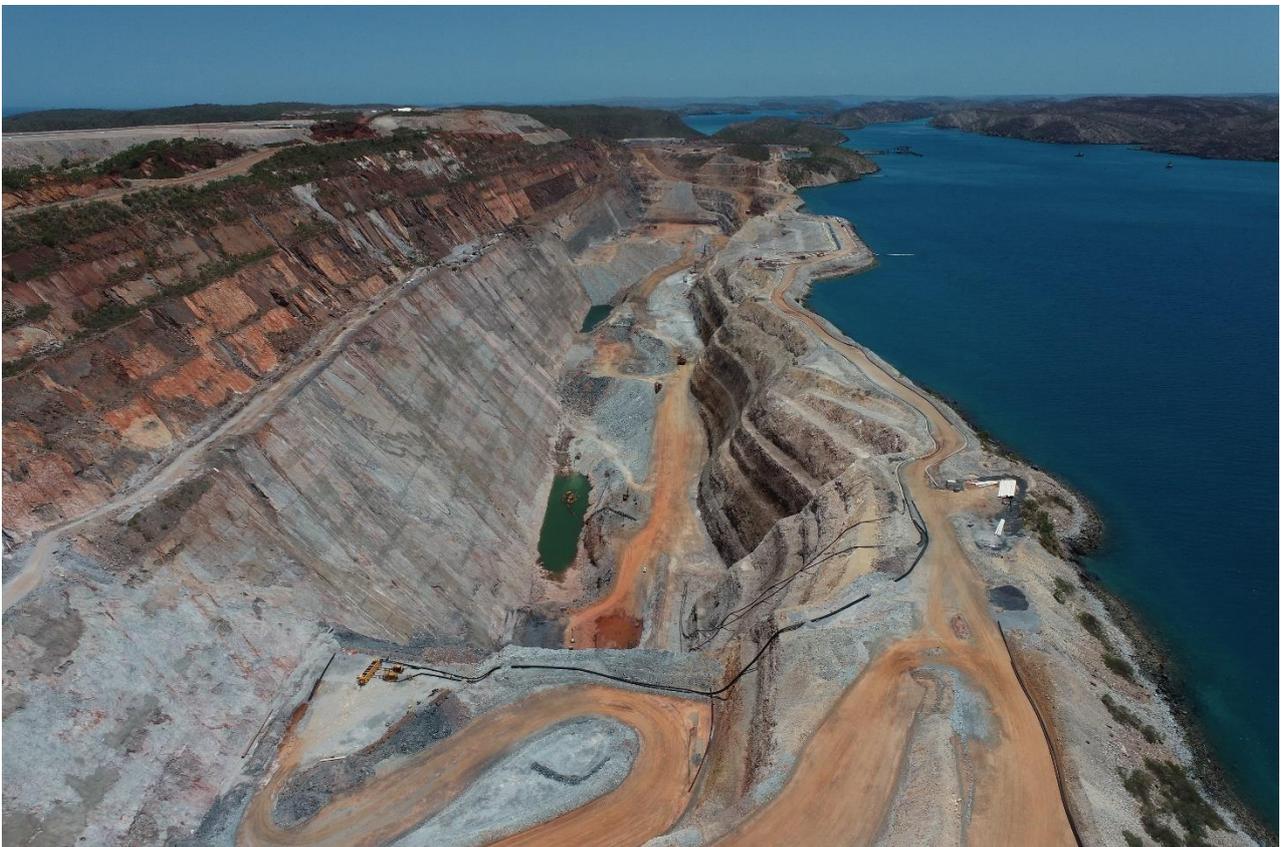


Figure 2: Koolan Island Main Pit, looking east, December 2021.