



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021 21 January 2022

- **Total ore sales of 0.3 million wet metric tonnes (Mwmt)** in the December 2021 quarter comprising 0.1 Mwmt from Koolan Island and 0.2 Mwmt from Shine in the Mid-West. Sales for the half-year totalled **0.7 Mwmt**, comprising 0.4 Mwmt from Koolan Island and 0.3 Mwmt from Shine.
- **Progression of the Koolan Island waste stripping program, with significant operational and financial improvement expected in the June 2022 half-year** as the Main Pit waste to ore stripping ratio declines and high grade shipment volumes start to increase.
- **Group operating cash outflow for the December quarter of \$89 million** reflecting the Koolan Island waste stripping and capital project investments, and the suspension and additional final shipments from the Mid-West Shine operation.
- **Cash and investments of \$142 million** at 31 December 2021 after working capital movements and payment of the \$12 million cash component of the 2020/21 final dividend.
- Group ore sales guidance for 2021/22 of **2.0 Mwmt**, including 1.7 Mwmt from Koolan Island.
- The Mid-West **Shine Project** was suspended as planned following the additional final shipments in December.
- Financial results for the December half-year period are scheduled to be released on 23 February 2022. As previously advised, a non-cash impairment of the carrying value of the Shine operation of \$40-45 million (before tax) will be recorded for accounting purposes.

Note: All currency is stated in Australian dollars unless noted otherwise. All financial results are unaudited and subject to final period-end adjustments.

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "As previously indicated, production and sales were limited in the December quarter as we focused on the key operational investment programs at Koolan Island to prepare for rising high grade sales in the June half-year and thereafter. While this investment in Koolan Island and the ramp-down of the Shine operation in the Mid-West drew on our cash reserves as expected, we are now gearing up for substantial operational and financial improvements in the next two quarters and following years.

"The completion in December of the Koolan Island crusher upgrade, now in commissioning, was an important milestone, and the upper footwall ground support and waste stripping programs also achieved steady progress. We remain on track to deliver increased high grade ore production and a reduced waste to ore stripping ratio - the key drivers of lower unit costs - in the June 2022 half-year, subject to the potential impacts of both the current northern wet season and the evolving COVID-19 situation.

"Market conditions and the improved outlook for high grade iron ore feedstocks into the global steel sector highlight the underlying value of Koolan Island as sales of high grade product are scheduled to ramp up this year. These factors give us confidence for the generation of substantial cashflow from Koolan Island over the next five years and the pursuit of new opportunities to grow the business."

PERFORMANCE AT A GLANCE

	Unit	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	2021/22 Year to Date
Standard sales	kwmt	396	232	481	119	196	315
Low-grade sales	kwmt	534	-	-	320	60	380
Total iron ore sales	kwmt	930	232	481	439	256	695
Platts 62% Fe CFR price, average	US\$/dmt	134	167	200	163	110	136
Platts 65% Fe CFR price, average	US\$/dmt	146	191	232	190	129	159
Realised Mid-West lump FOB price	US\$/dmt	45	-	-	91	63	82
Realised Mid-West fines FOB price	US\$/dmt	34	-	-	-	59	59
Realised Koolan fines FOB price*	US\$/dmt	149	106	65	-*	-*	-*

Minor discrepancies may occur due to rounding.
kwmt = thousand wet metric tonnes.
US\$/dmt = USD per dry metric tonne.
CFR = cost and shipping freight included; FOB = free on board (i.e. cost and shipping freight excluded).
Realised FOB prices are shown after shipping freight and specification adjustments/penalties and before provisional pricing adjustments from prior periods.
* Realised Koolan prices for the September and December 2021 quarters are minimal (<US\$23/dmt) reflecting the temporary non-core low grade and higher impurity ores extracted as part of the major waste stripping program.
For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 3-4% for Koolan Island fines and approximately 4-5% for Mid-West products.

COVID-19 BUSINESS RESPONSE UPDATE

Mount Gibson personnel have responded positively throughout the pandemic and obtained the required vaccinations and instituted the necessary workplace controls. The Company stands ready to respond promptly to evolving government restrictions, notably as Western Australia progresses towards the planned reopening of its borders.

Ongoing travel restrictions, in particular the interstate border closures and quarantine restrictions applying to fly-in-fly-out (FIFO) personnel, have continued to limit the availability of skilled personnel and hinder the mining sector's operating activities, including at Mount Gibson's sites. A number of personnel have moved from Shine to Koolan Island to alleviate shortages in certain areas. However, labour shortages continue to be a significant challenge to operational execution and there remains uncertainty as to the effects of anticipated community transmission of COVID-19 for Western Australian mine sites once the State borders reopen. Mount Gibson is implementing enhanced virus screening, testing and other associated procedures to respond to the additional risks posed by the expected increase in community transmission of the virus.

OPERATIONS

Ore sales were limited in the December quarter, totalling 0.3 Mwmt and reflecting the overburden stripping and upper footwall ground support programs at Koolan Island as well as the final shipments from the now-suspended Shine operation in the Mid-West. Ore sales for the half-year totalled 0.7 Mwmt, comprising 0.4 Mwmt from Koolan Island and 0.3 Mwmt from Shine.

Operating statistics are tabulated in Appendix A.

Safety

Mount Gibson is committed to maintaining a safe working environment and safety-oriented culture in which all personnel consider both their own wellbeing and that of their colleagues. Continuous improvement in safety performance is a primary focus of the Company.

A further decline was achieved in the number of reported injuries with the rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) reducing to 10.7 incidents per one million man-hours at the end of December 2021, compared with 13.6 at the end of September 2021. The rolling 12-month Lost Time Injury (LTI) Frequency Rate (LTIFR) also improved to 2.3 incidents per one million man-hours at the end of the quarter

compared with 2.9 at the end of September 2021. The Shine operation remained LTI-free from inception to suspension, while in late September the Company's Geraldton Port team exceeded 12 consecutive years without recording a LTI.

Koolan Island

Activity at Koolan Island in the December 2021 quarter focused on completion of the major upgrade of the crushing plant and progression of the overburden stripping and footwall ground support programs required to access increased volumes of higher-grade iron ore from the March 2022 quarter onwards.

Mining and Production

Total mining movement was 4.5 Mwmt for the quarter and 9.3 Mwmt for the December half-year. The waste to ore stripping ratio averaged approximately 17:1 (i.e. 17 tonnes of waste for every tonne of ore extracted) in the December half-year and is expected to fall significantly to average approximately 6:1 in the June 2022 half-year. This reflects the scheduled increase in high grade iron ore production from the Main Pit.

From mid-2022 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. The Company has committed to the purchase (via suitable lease finance arrangements) of a replacement truck fleet from mid-2022 onwards to better suit the future pit design and assist with productivity, cost and emissions objectives.

As previously reported, Mount Gibson has engaged specialist contractors to undertake geotechnical ground support anchoring in the upper regions of the western footwall within the Main Pit. The anchoring works are designed to allow safe mining access to high grade ore in the western and central areas of the Main Pit. Works progressed satisfactorily in the December quarter and access to these higher grade zones will progressively build during the June 2022 half-year, in line with the mine plan.

Through most of 2021, limited mining access in the floor of the Main Pit confined production to lower grade material (55-57% Fe) from the lateral extents of the deposit and nearby satellite pits. Ore production in the December quarter was limited as anticipated and totalled 0.5 Mwmt for the December 2021 half-year. One shipment of fines was completed in the 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 the 2021/22 financial year being 1.7 Mwmt.

On the southern side of the Main Pit, in-ground instrumentation continues to demonstrate that the seawall, which incorporates the installed impermeable seepage barrier, is performing to design expectations.

Crusher Upgrade

Work on the major upgrade of the Koolan Island processing plant was completed during December, with commissioning now underway. The upgrade will ensure the crushing circuit is capable of processing significantly increased high grade ore tonnages scheduled from this year onwards.

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.

Financial Performance

The cash draw at Koolan Island of \$76 million in the December quarter was slightly less than the previous quarter and reflected the advanced waste stripping investment (\$42 million), limited ore sales revenue and progression of the footwall anchoring and crusher upgrade projects (together \$16 million). Operating cashflows are anticipated to improve through the June 2022 half-year as ore shipment volumes progressively increase.

Unit mining and administration costs, including all transport and logistics charges for the island-based operation, were \$10.80 per tonne of ore and waste moved in the quarter, compared with \$10.71 in the prior quarter. The average for the December half-year was \$10.75 per tonne of ore and waste mined. Productivity and commercial initiatives to reduce these costs are being pursued.

Mid-West

Shine

In the Mid-West, the focus remained on the orderly ramp down of activities at the Shine mine site and the completion of final shipments ahead of the site being placed on care and maintenance. After the planned final shipment of lump ore in October, the Company negotiated a further two shipments of fines material from available stockpiles. Sales from Shine consequently totalled approximately 0.3 Mwmt in the December half-year, including 0.2 Mwmt in the December quarter.

The site will now be held on a low-cost care and maintenance program pending a reassessment of market conditions, in particular product discounts and shipping freight rates. 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.

The cash outflow at Shine for the December quarter totaled \$5 million, before adverse provisional pricing adjustments arising from prior periods of \$5 million. The total cash outflow for the December half-year period was \$27 million, reflecting site development and waste stripping costs in the September quarter and closure costs, net of final revenues, in the December quarter.

Given the suspension of the Shine operation, 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.

Extension Hill

Rehabilitation of the Extension Hill site is now well advanced with the accounting provision for rehabilitation of the site reduced to \$5.7 million at the end of last financial year. Infrastructure remaining on site includes the crushing plant and accommodation camp, for which expressions of interest have been received from various parties.

Exploration and Business Development

Mount Gibson continues to seek potential development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy has primarily targeted opportunities in the bulk commodities and base metals sectors.

Equity positions have been purchased in six development and operating companies where it is considered that future financing or strategic opportunities may arise. These investments have a current market value of approximately \$12 million.

The Company also continues to assess a number of regional exploration opportunities for base metals deposits in the Mid-West region. As previously reported, the Company has entered into a farm-in agreement covering prospective exploration tenure north of the Company's Tallering Peak site in the Mid-West approximately 160km northeast of Geraldton. Following initial mapping and sampling within these tenements in the prior quarter, the Company undertook an aerial electromagnetic survey in the December quarter to further prioritise prospective areas for drilling this year.

CORPORATE

Realised Pricing and Revenue

Iron ore prices remained volatile in the December quarter reflecting Chinese Government imposed reductions in steel making to meet defined production limits set for the 2021 calendar year, as well as environmental restrictions affecting steel mill emissions. The December quarter average Platts 62% Fe price was

US\$110/dmt compared with US\$163/dmt in the preceding quarter. The price weakened to US\$87/dmt in November before recovering to US\$119/dmt at period end.

The December quarter average Platts CFR price for high grade 65% Fe fines was US\$129/dmt, being a grade-adjusted 12% premium to the benchmark 62% Fe price, and for lower grade 58% Fe fines was US\$71/dmt CFR.

Koolan Island

During the quarter, only a limited volume of low grade (and high impurity) fines was shipped. The sales were undertaken to defray a portion of the waste mining costs but do not form part of the ongoing high grade sales strategy of the operation. Production will now increasingly be sourced from higher grade zones in the Main Pit.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing market indices as well as Panamax shipping freight rates, specification adjustments and penalties for impurities. Provisional prices are recorded following shipment departure and final pricing typically reflects monthly averages either one or two months after the month of shipment. Given the adverse price movements during the quarter, Koolan incurred \$4 million in downward provisional pricing adjustments relating to sales made in prior periods.

Shine

Final ore sales from Shine achieved an average realised price of US\$63/dmt FOB and US\$59/dmt FOB for standard lump and fines respectively (~61% Fe).

Cashflow and Cash Position

The Company's cash and investments totalled \$142 million at quarter end, compared with \$250 million at 30 September 2021. The reduction reflected the significant ongoing investment at Koolan Island, limited ore sales while the waste stripping and upper footwall programs continued, and the suspension of production at Shine.

The operating cash outflow for the December quarter was lower than the prior quarter at \$89 million and reflected the net investment at Koolan Island (\$76 million), Shine net operating and suspension costs (\$10 million), interest and other income (\$3 million), and net corporate, exploration and rehabilitation costs (\$6 million). After working capital movements of \$7 million, reflecting the timing of receipts and payments, and payment of the \$12 million cash component of the 2020/21 final dividend, this resulted in a reduction of \$108 million in the Company's cash and investment balance over the quarter.

Mount Gibson does not have bank borrowings and has an undrawn \$100 million revolving credit facility with HSBC.

A significant improvement in financial and operating performance is anticipated over the June 2022 half-year as production volumes and product quality from Koolan Island improves and unit costs decline in line with rising sales and the expected reduction in the waste to ore stripping ratio.

2021 Annual General Meeting

The Company held its Annual General Meeting on Wednesday 10 November 2021. Consistent with the previous year, the meeting was held as a "virtual" meeting given continuing COVID-19 related restrictions, notably on interstate travel. All resolutions were approved. Full results of the voting are available on the Company's website.

Sustainability Report 2021

Mount Gibson published its 2021 Sustainability Report in the December quarter 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.

Modern Slavery Statement

Mount Gibson published its Modern Slavery Statement in the December quarter which can be obtained from the Company's website. The Statement details the steps Mount Gibson has taken to assess modern slavery risks within its business and supply chains, and practical steps to be taken to help minimise those risks.

Financial Results for December half year period

Mount Gibson plans to release its financial results for the December 2021 half-year on 23 February 2022.

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Mount Gibson will host an analysts/institutions teleconference at **11.30am AEDT (8:30am WST)** on **Friday 21 January 2022**. Investors will be able to listen to the teleconference by dialling **1300 278 865** immediately prior to the scheduled start time and entering the access code **18314558#** at the prompts. A recording of the teleconference will be available via the Mount Gibson website after completion of the teleconference. In case of difficulties, operator assistance can be reached on 1300 289 804 (Australian callers) or +613 8788 6028 (overseas callers).



Figure 1: Koolan Island Main Pit, looking east, January 2022.



Figure 2: Koolan crushing and shiploading facilities, January 2022.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	2021/22 Year to Date
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	5,259	4,182	4,720	4,508	4,303	8,811
Ore mined	184	260	314	346	158	504
Ore crushed	285	242	405	412	201	612
Shipping/Sales*						
Standard Fines	396	232	481	-	80	80
Low-grade Fines	-	-	-	320	-	320
Total	396	232	481	320	80	400
MID-WEST						
Mining & Crushing^						
Waste mined	-	73	1,793	2,623	216	2,839
Ore mined	423	-	55	240	78	318
Product crushed	324	-	10	223	118	341
Shipping/Sales*						
Standard Lump	-	-	-	119	59	178
Standard Fines	-	-	-	-	57	57
Low-grade Lump	472	-	-	-	-	-
Low-grade Fines	61	-	-	-	60	60
Total	534	-	-	119	175	295
CONSOLIDATED DATA						
Shipping/Sales*						
Standard Lump	-	-	-	119	59	178
Standard Fines	396	232	481	-	137	137
Low-grade Lump	472	-	-	-	-	-
Low-grade Fines	61	-	-	320	60	380
Total	930	232	481	439	256	695
kwmt = thousand wet metric tonnes. * Mount Gibson ships in Panamax vessels which contain an average of 60,000 wmt from Geraldton Port in the Mid-West, and 72,000-82,000 wmt from Koolan Island. ^ Mid-West production and sales data from the March quarter 2021 onwards is from Shine. Minor discrepancies may appear due to rounding.						

Competent Person Statements

Mineral Resources:

The information in this report relating to Mineral Resources is based on information compiled by Ms Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is a consultant to, Mount Gibson Iron Limited, and 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'. Ms Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Ore Reserves

The information in this report relating to Ore Reserves is based on information compiled by Mr Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of Mount Gibson Iron Limited and 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'. Mr Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.