



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 MARCH 2022 26 April 2022

Key Points:

- The overburden stripping program at Koolan Island is nearing completion as planned, and **access to high grade (65% Fe) iron ore is underway** in the central and upper eastern zones of the Main pit.
- **Ore sales** in the March 2022 quarter totalled **0.24 million wet metric tonnes (Mwmt)** at an average grade of 62.8% Fe, with significantly increased shipments scheduled for the June quarter onwards. Shipped ore grades are expected **to reach 65% Fe** by mid-2022.
- **Group operating cash outflow of \$38 million for the quarter** (from \$89 million in the previous quarter), reflecting the final stages of the overburden stripping program and capital project investments, ahead of anticipated increased cashflow generation in the June quarter and following financial years.
- **Cash and investment reserves of \$92 million** at 31 March 2022.
- **Koolan Island sales guidance is for 1.5 Mwmt** for the 2021/22 financial year, subject to minimal COVID-related interruptions. High grade ore production and shipments have already started to increase.

Note: All currency is stated in Australian dollars unless noted otherwise. All financial results are unaudited.

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "Koolan Island production, ore quality and sales all began to lift in the March quarter as we neared completion of the major overburden stripping phase and commenced access to high grade ore zones within the Main Pit.

"Cash draw also reduced in line with the significant reduction in the waste-to-ore stripping ratio, such that Koolan Island is now positioned on the cusp of its anticipated operational turnaround to generate strong cashflow from increased high-grade ore sales over the next five years.

"We remain on track to meet our sales target for Koolan Island of 1.5 Mwmt this financial year, with production volumes and shipments building in the June quarter. The quality of our iron ore cargoes has also increased, averaging 62.8% Fe in the March quarter, with a gradual further lift in the June quarter towards the Ore Reserve grade of 65% Fe by the middle of this year.

"Mount Gibson's ongoing operational improvement comes amid generally positive market conditions and outlook, particularly for higher-grade iron ore products, which gives the Company confidence for the generation of substantial cashflows from Koolan Island over the next five years and the pursuit of new opportunities to grow the business."

PERFORMANCE AT A GLANCE

	Unit	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	Mar-2022 Quarter	2021/22 Year to Date
Lump and fines sales	kwmt	232	481	119	196	238	553
Low-grade fines sales	kwmt	-	-	320	60	-	380
Total iron ore sales	kwmt	232	481	439	256	238	933
Platts 62% Fe CFR price, average	US\$/dmt	167	200	163	110	142	138
Platts 65% Fe CFR price, average	US\$/dmt	191	232	190	129	170	163
Realised Mid-West lump FOB price	US\$/dmt	-	-	91	63	-	82[^]
Realised Mid-West fines FOB price	US\$/dmt	-	-	-	59	-	59
Realised Koolan fines FOB price	US\$/dmt	106	65	-*	-*	81	81

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.
[^] Before US\$26/dmt of provisional pricing adjustments.
* Realised Koolan prices for the September and December 2021 quarters were minimal (<US\$23/dmt) reflecting the temporary non-core low grade and higher impurity ores extracted as part of the major waste stripping program, and these are excluded from the Year to Date prices.
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.

OPERATIONS

Iron ore sales totalled 0.24 Mwmt of high grade fines in the March quarter as the major overburden stripping program at Koolan Island neared completion, and access was obtained to high grade ore zones within the Main Pit.

Operating statistics are tabulated in Appendix A.

Safety

Continuous improvement in safety performance is a primary focus of the Company. The Lost Time Injury Frequency Rate (LTIFR) declined in the quarter to 1.7 incidents per one million man-hours (rolling 12 months basis) compared with 2.3 at the end of December 2021. However, a number of muscle and joint strain injuries at the Koolan Island operation resulted in the rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) increasing to 13.3 incidents per one million man-hours at the end of the quarter, compared with 10.7 at the end of December 2021. Mount Gibson's definition of TRIFR includes Lost Time Injuries, Restricted Work Injuries and Medically Treated Injuries. Visible leadership, training, safety conversations and active communication are being prioritised in order to ensure Mount Gibson's people are not injured at their workplaces.

COVID-19 Response

Mount Gibson has to date avoided significant disruption from COVID-19 since the onset of increased community transmission of the Omicron variant in Western Australia. Community COVID transmission in Western Australia is now at record historical levels and, in response, Mount Gibson has enhanced its screening, testing and transmission-mitigation measures. In recent weeks Koolan Island has experienced 6-10% daily absenteeism related to individuals unable to work either because they have contracted COVID or because they are close contacts of someone with COVID and must therefore isolate in accordance with applicable Western Australian legislation. The positive response of the Company's employees and contractor workforce is acknowledged.

Koolan Island

Significant progress was achieved at Koolan Island in the March quarter with regard to the major overburden stripping and upper footwall ground support programs, resulting in increased high-grade ore production and shipments.

Mining and Production

Total material movement was 3.7 Mwmt in the quarter compared with 4.3 Mwmt in the prior quarter, in line with internal forecasts and reflecting the lower wet season movement and declining stripping ratio. The overburden stripping program within the Main Pit is nearing completion with the average waste-to-ore stripping ratio scheduled to decline further over the remainder of 2022 and into subsequent years.

As previously reported, the waste-to-ore stripping ratio averaged approximately 17:1 in the December 2021 half-year and is expected to average approximately 5:1 in the current June half-year period. Thereafter, the stripping ratio is scheduled to progressively decline to average approximately 1.5:1 over the ensuing five years. In the upcoming 2022/23 financial year the stripping ratio is anticipated to reduce from approximately 3.5:1 in the first half to around 1:1 in the second half, and average of just above 2:1 for the full financial year. The stripping ratio is one of the key drivers of cash operating costs at Koolan Island.

In parallel with the Main Pit overburden stripping program, the remedial ground support program on the upper western footwall also advanced during the March quarter. This program has now been completed across approximately 70% of the scheduled areas of the upper western footwall which enables safe mining access to high grade iron ore in the pit floor beneath the completed footwall zones.

On the southern side of the Main Pit, geotechnical monitoring and in-ground instrumentation continues to demonstrate that the seawall is performing to design expectations.

Mining access to high-grade ore in the base of Main Pit was regained in February and has steadily increased since that time. Ore production doubled to 0.33 Mwmt in the March quarter, sourced from high-grade areas of the orebody in the western and eastern ends of the Main Pit. This compares with 0.16 Mwmt in the December quarter in which production was primarily sourced from lower grade zones. As a result, ore sales in the March quarter rose threefold to 0.24 Mwmt at an average grade of 62.8% Fe after blending with previously mined medium grade stockpiles.

Site operations were interrupted by wet season rainfall which totalled 1.2 metres in the quarter, in particular by the impacts of Cyclone Anika in late February and early March. This seasonal weather disruption resulted in a shipment planned for late March being deferred into April.

Production and Sales Outlook

Given the steady improvement in mining performance through the March quarter, Mount Gibson expects a significant increase in ore production, quality and shipments in the June quarter, and strong sales and cashflow generation in the following years.

In the near-term, the Company is building to 3-4 shipments per month, with ore grades increasing from current levels of around 63% Fe towards the Ore Reserve grade of 65% Fe in mid-2022. Mount Gibson's sales guidance for Koolan Island is for 1.5 Mwmt in the 2021/22 financial year, subject to minimal COVID-related interruptions.

Production and sales in future financial years are expected to consolidate at levels at or above those anticipated in the June quarter, positioning the Koolan Island operation to deliver significant sales growth and cashflow generation for Mount Gibson.

Importantly, the outlook remains positive for Koolan Island's high grade iron ore products. This is driven both by the continued robust outlook for Chinese steel consumption and China's increasing focus on reducing the energy intensity and carbon emissions of steel making. High-grade and low impurity iron ore feedstocks result in lower unit emissions per tonne of steel produced through improved blast furnace efficiency and productivity.

Financial Performance

The cash drawdown at Koolan Island improved in the March quarter to \$4 million before overburden stripping investment of \$29 million and other capital investments (including the upper footwall ground support program) of \$5 million. Operating cashflows are expected to become positive in the June 2022 quarter and increasingly positive thereafter as ore shipment volumes rise.

Unit mining and administration costs, including all transport and logistics charges for the island-based operation, were \$12.07 per tonne of ore and waste moved in the quarter, compared with \$10.89 per tonne in the prior quarter, reflecting the lower total movement, and impacts of the wet season and COVID interruptions. The average for the nine months to the end of March 2022 was \$11.16 per tonne of ore and waste mined. Productivity and commercial initiatives to reduce these costs are underway.

Mid-West

Shine

As previously reported, Mount Gibson made the appropriate decision to suspend operations at Shine in response to the rapid deterioration in market conditions in the second half of 2021, in particular lower iron ore prices and rising product discounts and shipping freight rates. The site remains in a low-cost care and maintenance state.

Infrastructure

Mount Gibson has received multiple enquiries relating to its Mid-West infrastructure assets, in particular key rail sidings and storage sheds, and is already receiving income from third parties for initial arrangements. Discussions are in progress regarding further interim arrangements for utilisation of spare capacity within those infrastructure assets.

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 in Australia.

Equity positions with a market value of approximately \$10 million are held in four development and operating companies where it is considered that future financing or strategic opportunities may arise.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, and has entered into a farm-in agreement covering prospective exploration tenure north of the Company's Tallering Peak site, approximately 160km northeast of Geraldton. In the March quarter, detailed field mapping and lag sampling was undertaken at two prospects at the Tallering project, with assay results expected during the coming weeks. Interpretation of aerial electromagnetic survey data generated over prospective areas in December is also nearing completion while initial engagement with drilling contractors is underway with a view to commencing drilling in mid-2022.

CORPORATE

Realised Pricing and Revenue

The March quarter average Platts 62% Fe CFR price was US\$142/dmt compared with US\$110/dmt in the preceding quarter. The average Platts CFR price for high grade 65% Fe fines was US\$170/dmt, being a grade-adjusted 14% premium to the benchmark 62% Fe price, up from US\$129/dmt in the December quarter.

Mount Gibson completed three fines shipments averaging 62.8% Fe from Koolan Island in the quarter as mining access to the high-grade Main Pit orebody was progressively regained. This high-grade material was blended with stockpiled medium grade material mined in prior periods. As indicated in the Operations section of this report, disruption resulting from Cyclone Anika also resulted in a fourth scheduled shipment being deferred into April.

Ore sales revenue totalled \$26 million Free on Board (FOB) for the quarter, with the average price realised for Koolan Island fines being US\$81/dmt FOB after penalties (in particular for silica which will substantially reduce as grades increase) and shipping freight charges (of US\$19/wmt to northern China).

At current prices, the FOB value of a typical Koolan Island shipment (approximately 77,000 dmt) grading 63% Fe is approximately \$12 million before royalties.

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.

Cashflow and Cash Position

The Company's cash and investments totalled \$92 million at quarter end, compared with \$142 million at 31 December 2021. The quarterly movement was significantly reduced compared with the outflow in the prior period as ore production, quality and sales began to increase, capital investment in overburden stripping and capital projects slowed, and minimal further costs were incurred in relation to the suspended Shine project.

Cashflow for the March quarter reflected net investment at Koolan Island (\$38 million), interest and other income (\$4 million), and net corporate, exploration and rehabilitation costs (\$4 million). After working capital movements of \$12 million, reflecting the timing of receipts and payments, this resulted in a reduction of \$50 million in the Company's cash and investment balance over the quarter.

A significant improvement in operating and financial performance is anticipated over the June 2022 quarter and thereafter, as production volumes, ore quality and shipments from Koolan Island improve and unit costs per tonne sold decline in line with reduced overburden stripping costs and rising sales volumes.

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

Financial Results for December half-year period

Mount Gibson released its financial results for the December 2021 half-year on 23 February 2022, reporting a net loss after tax of \$65.6 million, which included pre-tax impairments and inventory write-downs of \$41.4 million related to the suspended Shine project.

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Mount Gibson will host an analysts/institutions teleconference at **11.00am AEDT (9:00am WST)** on **26 April 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).

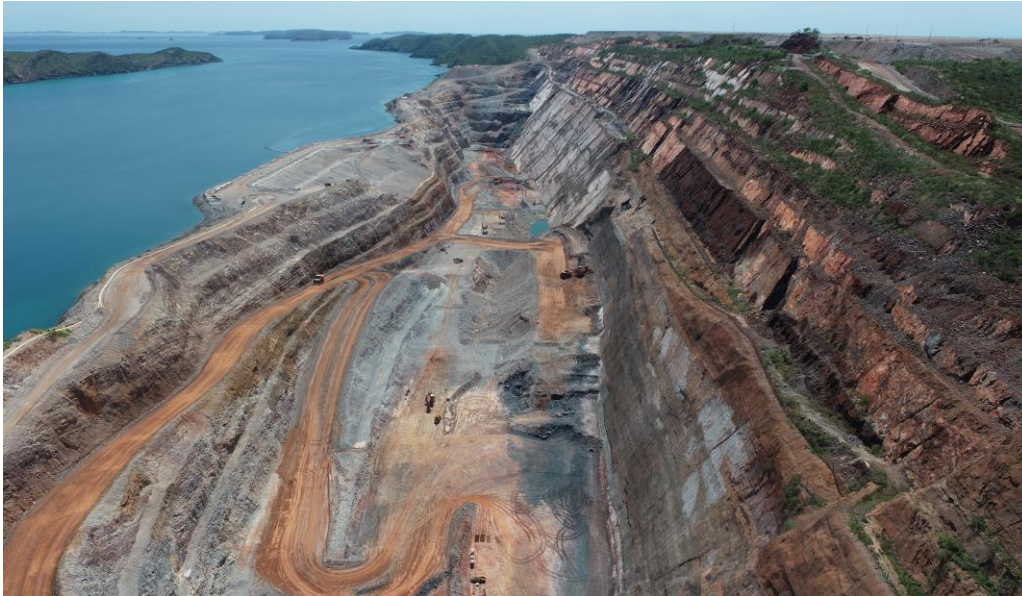


Figure 1: Koolan Island Main pit, looking west over the top of the eastern end high grade ore zones, April 2022.



Figure 2: High-grade (65% Fe) iron ore mining, central Main Pit, April 2022.



Figure 3: High-grade fines being loaded at Koolan Island, March 2022.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Mar-2021 Quarter	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	Mar-2022 Quarter	2021/22 Year to Date
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	4,182	4,720	4,508	4,303	3,411	12,222
Ore mined	260	314	346	158	325	829
Ore crushed	242	405	412	201	258	870
Shipping/Sales*						
Fines	232	481	-	80	238	318
Low-grade Fines	-	-	320	-	-	320
Total	232	481	320	80	238	638
MID-WEST						
Mining & Crushing^						
Waste mined	73	1,793	2,623	216	-	2,839
Ore mined	-	55	240	78	-	318
Product crushed	-	10	223	118	-	341
Shipping/Sales*						
Lump	-	-	119	59	-	178
Fines	-	-	-	57	-	57
Low-grade Fines	-	-	-	60	-	60
Total	-	-	119	175	-	295
CONSOLIDATED DATA						
Shipping/Sales*						
Lump	-	-	119	59	-	178
Fines	232	481	-	137	238	375
Low-grade Fines	-	-	320	60	-	380
Total	232	481	439	256	238	933

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 2021 quarter 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.