



## MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 JUNE 2022 28 July 2022

- **June Quarter iron ore sales trebled to 0.71 million wet metric tonnes (Mwmt)** in comparison to the previous quarter, at an average grade of 63.6% Fe. Ore sales totalled 1.65 Mwmt for the 2021/22 financial year, comprising 1.35 Mwmt from Koolan Island and 0.30 Mwmt from the Mid-West Shine operation.
- **Shipping grades increased steadily** over the June quarter and are now **consistently around 65% Fe**, in line with the mining and sales plan.
- **The waste to ore stripping ratio at Koolan Island reduced to 5.6:1** in the June Quarter (including backfill rehandle) with the average for the June half-year being 7.2:1. The stripping ratio is a key driver of operating costs and is anticipated to reduce further to average approximately 2:1 in the 2022/23 financial year, being around 3.5:1 in the first half and reducing further to 1:1 in the second half.
- **Koolan Island cash costs of \$77/wmt sold FOB** in the June quarter before royalties and capital expenditure on the upper footwall ground support project (now completed) and overburden stripping program (nearing completion).
- **Group operating cashflow of \$32 million** generated for the quarter, versus an outflow of \$38 million in the prior quarter, before post-quarter downward net provisional pricing adjustments reflecting the weaker iron ore price (currently estimated as \$26 million). The improved cashflows reflect steadily rising high grade ore production and sales at Koolan Island.
- **Cash and investment reserves of \$126 million** at 30 June 2022, up from \$92 million at the end of March 2022.
- **Ore production and shipping volumes from Koolan Island are forecast to increase** as mining access to the high grade Main Pit orebody is expanded. Guidance for the 2022/23 financial year will be released with the Company's annual financial results in August.

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

### Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "It was pleasing to continue the operational improvement at Koolan Island in the June quarter, where we are on course to deliver substantially improved sales and cost performance which positions the Company for increasing cashflows over coming years."

"Mount Gibson has largely completed the overburden stripping program within the Koolan Island Main Pit and has re-established mining access to the high grade orebody. As a result, ore sales trebled in the June quarter and we are now consistently shipping high grade 65% Fe shipments to our customers.

"This manifested in a significant improvement in operating cashflows for the quarter. We now look forward to a substantial lift in production and sales of high grade 65% Fe iron ore cargoes during the coming year and generation of significant operating cashflows for the business going forward."

## SHIPMENTS AT A GLANCE

	Unit	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	Mar-2022 Quarter	Jun-2022 Quarter	2021/22 Year
Lump and fines sales	kwmt	481	119	196	238	<b>713</b>	<b>1,266</b>
Low-grade fines sales	kwmt	-	320	60	-	-	<b>380</b>
Total iron ore sales	kwmt	481	439	256	238	<b>713</b>	<b>1,646</b>
Platts 62% Fe CFR price, average	US\$/dmt	200	163	110	142	<b>138</b>	<b>138</b>
Platts 65% Fe CFR price, average	US\$/dmt	232	190	129	170	<b>160</b>	<b>162</b>
Realised Mid-West lump FOB price	US\$/dmt	-	91	63	-	-	<b>82<sup>^</sup></b>
Realised Mid-West fines FOB price	US\$/dmt	-	-	59	-	-	<b>59</b>
Realised Koolan fines FOB price	US\$/dmt	65	**	**	81	<b>122*</b>	<b>78*</b>

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. shipping freight excluded).

Realised FOB prices are shown after shipping freight and specification adjustments/penalties and before provisional pricing adjustments.

<sup>^</sup> Before downward provisional pricing adjustments of US\$25/dmt.

\* Before post-quarter provisional pricing downward adjustment estimates of US\$29/dmt in the quarter, equating to US\$15/dmt for the financial year.

\*\* 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 annual 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 0.71 Mwmt of high-grade fines in the June 2022 quarter as the major overburden stripping program at Koolan Island was substantially progressed and consistent mining access was obtained to high grade ore zones within the Main Pit. Ore sales for the full year totalled 1.65 Mwmt, comprising 1.35 Mwmt from Koolan Island and 0.30 Mwmt from the now-suspended Shine operation in the Mid-West.

Operating statistics are tabulated in Appendix A.

### Safety

Continuous improvement in safety performance is a critical focus of the Company. The Lost Time Injury Frequency Rate (LTIFR) again declined in the quarter to 1.3 incidents per one million manhours worked (rolling 12 months basis) compared with 1.7 at the end of March 2022. The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) also resumed a downward trend, declining to 11.4 incidents per one million manhours worked at the end of the quarter, compared with 13.3 at the end of March 2022. Mount Gibson's definition of TRIFR includes Lost Time Injuries, Restricted Work Injuries and Medically Treated Injuries. Using TRIFR provides a useful tool for safety conversations and active communication with the entire workforce to help ensure Mount Gibson's people are not injured in their workplaces.

During the June quarter the Koolan Island team, including Emergency Response personnel, worked alongside the Royal Flying Doctor Service (RFDS) in providing medical assistance to tourists involved in a serious boating accident at Horizontal Falls approximately 35km southeast of the Island. A triage area was established at Koolan Island and the RFDS was able to utilise the Company's sealed airstrip for access by RFDS jets and other aircraft to transport affected passengers to regional and Perth-based medical facilities. The Koolan team members demonstrated a high degree of professionalism and are congratulated on their efforts.

### COVID-19 Response

Mount Gibson has to date largely avoided significant disruption from COVID-19 since the onset of increased community transmission of the Omicron variant in Western Australia, with the Company maintaining various

testing and transmission-mitigation measures. However, onsite operational productivity was temporarily impacted in the middle of the June quarter as community COVID transmission rates spiked in Western Australia. Daily COVID-related absenteeism, where individuals were unable to work either because they had contracted COVID or because they were close contacts of someone with COVID, peaked at approximately 15% in May, contributing to slower production rates at that time. However, these impacts moderated and daily absenteeism returned to below 5% in June. The positive response of the Company's employees and contractor workforce is acknowledged.

## **Koolan Island**

### *Mining and Production*

Significant progress has been achieved at Koolan Island since the start of 2022 with the major overburden stripping and upper footwall ground support programs, resulting in steadily increasing high grade iron ore production and shipments.

The overburden stripping program is nearing completion with the average waste to ore stripping ratio rapidly decreasing. After averaging over 17:1 in the December 2021 half-year period, the waste to ore stripping ratio reduced to 5.6:1 in the June quarter (including backfill rehandle). The stripping ratio is a key driver of operating costs and is anticipated to reduce further to average approximately 2:1 in the 2022/23 financial year, being around 3.5:1 in the first half and declining to 1:1 in the second half.

In parallel with the Main Pit overburden stripping program, the ground support program on the upper western footwall was successfully completed shortly after year-end. This investment enables safe mining access to high grade iron ore in the western pit floor beneath the supported footwall zones. On the southern side of the Main Pit, geotechnical monitoring and in-ground instrumentation demonstrates that the seawall continues to perform to design expectations.

Consequently, Mount Gibson has been able to access increasing quantities of high grade ore in the floor of the Main Pit. Total material movement in the June quarter rose 17% to 4.4 Mwmt of waste and ore, including 0.7 Mwmt of high-grade ore, more than double the ore quantity mined in the March 2022 quarter.

### *Shipments*

Ore sales trebled in the June quarter to 0.71 Mwmt, equating to over half of all Koolan Island sales for the 2021/22 financial year. Nine shipments were completed in the June quarter with the monthly rate steadily rising over the period from two shipments in April, three shipments in May and four shipments in June.

As reported in the Company's operational update on 1 July 2022, sales at Koolan Island for the 2021/22 financial year were slightly lower than the Company's stated 1.5 Mwmt target by two shipments due to mining delays as ground support work was completed within the Main Pit (refer earlier commentary), and also as a result of adverse productivity impacts from COVID-related personnel absenteeism. Mount Gibson is now targeting 3-4 shipments per month as the consistent baseline shipping rate going forward.

Shipment grades also steadily increased over the June quarter, with shipments of 65% Fe cargoes commenced in the month of June. The average grade shipped in the quarter was 63.6% Fe and grades have now risen further such that shipments are now consistently grading circa 65% Fe.

Mount Gibson expects Koolan Island to deliver substantially higher iron ore production and sales in the 2022/23 financial year, positioning the operation to generate significantly higher operating cashflows.

### *Financial Performance*

The increased sales in the June quarter resulted in cashflow generation from Koolan Island of \$34 million during the quarter compared with a net cash drawdown of \$37 million in the March quarter. However, as discussed below in "*Realised Pricing and Revenue*", the weakening iron price subsequent to the end of the quarter is expected to result in a substantial downward provisional pricing adjustment which is presently estimated at approximately \$26 million (net of royalty savings).

Unit mining, logistics and administration costs, including all transport and logistics charges for the island-based operation, were \$12.49 per tonne of ore and waste moved in the quarter compared with \$12.07 per tonne in the prior quarter, reflecting rising inflationary cost pressures, particularly labour and diesel fuel, and the impacts of COVID-related absenteeism. The average mining, logistics and administration unit cost for the full 2021/22 financial year was \$11.50 per tonne of ore and waste mined. Productivity and commercial initiatives to reduce these costs are ongoing.

Koolan Island unit cash costs equated to \$77/wmt sold FOB in the quarter before royalties and capital expenditure of \$6 million on the upper footwall ground support project (since completed) and \$14 million on overburden stripping investment.

## **Mid-West**

### *Shine*

As previously reported, Mount Gibson made the 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 significantly higher product discounts and shipping freight rates. The site remains on low-cost care and maintenance.

### *Infrastructure*

Mount Gibson continues to receive and consider external 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 arrangements for utilisation of spare capacity within those infrastructure assets.

In addition, Mount Gibson continues to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder based upon the usage by third parties of specific segments of the railway network. This refund 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 entitlement accrues at a rate of approximately \$2 million per quarter, with payments made every six months. Mount Gibson has received total cumulative proceeds to date of approximately \$24 million.

## **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 targeted opportunities in the bulk commodities and base metals sectors in Australia.

Equity positions with a market value of approximately \$5 million are held in a number of 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, where it has entered into a farm-in agreement covering prospective exploration tenure north of the Company's Talling Peak mine site, approximately 160km northeast of Geraldton. Subsequent to quarter end, drilling contractors mobilised to the Company's Talling Peak tenements to commence an initial program of diamond core drilling on defined regional targets.

## **CORPORATE**

### **Realised Pricing and Revenue**

The June quarter average Platts 62% Fe CFR price was US\$138/dmt compared with US\$142/dmt in the preceding quarter. The average Platts CFR price for high-grade 65% Fe fines was US\$160/dmt, being a grade-adjusted 11% premium to the benchmark 62% Fe price. Shipping freight rates remained high during the June quarter at approximately US\$20-22/tonne for journeys from Koolan Island to northern China.

Mount Gibson completed nine shipments of Koolan Island iron ore fines averaging 63.6% Fe in the quarter as mining access to the high-grade Main Pit orebody progressively increased. During April and May, high grade ore was blended for shipping with stockpiled medium grade material mined in prior periods. Shipments of 65% Fe material commenced in June and sales grades are expected to remain around this level going forward.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing market indices and Panamax shipping freight rates, specification adjustments and penalties for impurities. Provisional prices are recorded following shipment departure and the final pricing ultimately reflects monthly averages up to two months after the month of shipment. Accordingly, the Company is subject to pricing movements in subsequent periods, with such provisional pricing movements estimated at each reporting period end.

For the June 2022 quarter, ore sales revenue totalled \$120 million Free on Board (FOB), reflecting an average realised price of US\$122/dmt FOB. However, significant iron ore price reductions at and following the end of the quarter mean that downward provisional pricing revenue adjustments are expected to be incurred. These post balance date net reductions, which are currently estimated at approximately \$26 million, will be reflected in the Company's 2021/22 annual financial statements.

### **Cashflow and Cash Position**

The Company's cash and investments increased to \$125.6 million at quarter end, from \$92.3 million at the end of March 2022. The increase reflected significantly higher iron ore sales, a higher average product grade and reduced capital projects expenditure in line with the production ramp-up plan at Koolan Island.

Group cashflow for the June quarter, before the post-balance date downward provisional pricing adjustments mentioned above, totalled \$32 million comprising Koolan Island operating cashflow (\$34 million), interest and other income (\$5 million) and net corporate, foreign exchange, exploration and site holding/rehabilitation costs (\$7 million). After working capital inflows of \$1 million, reflecting the timing of receipts and payments, this resulted in an increase of \$33.3 million in the Company's cash and investment balance over the quarter.

A significant improvement in operating and financial performance is anticipated over the 2022/23 financial year 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 2021/22 and Guidance for 2022/23**

Mount Gibson expects to release its audited results for the 2021/22 financial year and guidance for the 2022/23 financial year on 25 August 2022. Given the weaker iron ore price since balance date, as part of its normal year-end reporting obligations the Company is reviewing the carrying value of its assets in accordance with applicable accounting standards.

*Authorised by:*

**Peter Kerr**

Chief Executive Officer

Mount Gibson Iron Limited

+61-(0)8-9426-7500

*For more information:*

**John Phaceas**

Manager Investor & External Relations

+61-8-9426-7500

+61-(0)411-449-621

Mount Gibson will host an analysts/institutions teleconference at **11.00am AEST (9:00am WST)** on **28 July 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, July 2022.



Figure 2: High grade ore benches, central Main Pit, looking west, May 2022.



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

## APPENDIX A

### Mount Gibson Iron Limited Quarterly Operating Statistics

	Jun-2021 Quarter	Sep-2021 Quarter	Dec-2021 Quarter	Mar-2022 Quarter	Jun-2022 Quarter	2021/22 Year
<b>KOOLAN ISLAND</b>	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
<b>Mining &amp; Crushing</b>						
Waste mined (incl. rehandle)	4,720	4,508	4,303	3,411	3,728	15,950
Ore mined	314	346	158	325	662	1,491
Ore crushed	405	412	201	258	645	1,516
<b>Shipping/Sales</b>						
Fines	481	-	80	238	713	1,131
Low-grade Fines	-	320	-	-	-	320
<b>Total</b>	481	320	80	238	713	1,351
<b>MID-WEST (SHINE)</b>						
<b>Mining &amp; Crushing</b>						
Waste mined	1,793	2,623	216	-	-	2,839
Ore mined	55	240	78	-	-	318
Product crushed	10	223	118	-	-	341
<b>Shipping/Sales</b>						
Lump	-	119	59	-	-	178
Fines	-	-	57	-	-	57
Low-grade Fines	-	-	60	-	-	60
<b>Total</b>	-	119	175	-	-	295
<b>CONSOLIDATED DATA</b>						
<b>Shipping/Sales</b>						
Lump	-	119	59	-	-	178
Fines	481	-	137	238	713	1,088
Low-grade Fines	-	320	60	-	-	380
<b>Total</b>	481	439	256	238	713	1,646
<ul style="list-style-type: none"> <li>• kwmt = thousand wet metric tonnes.</li> <li>• Minor discrepancies may appear due to rounding.</li> </ul>						

#### 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.