



## MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 MARCH 2023 21 April 2023

- **Strong operating turnaround at the Koolan Island iron ore mine** with the processing plant returned to full capacity and shipment rates increasing.
- **High-grade iron ore (65% Fe) sales of 0.66 million wet metric tonnes (Mwmt) in the March quarter**, ahead of forecast and taking sales for the nine month year-to-date period to 1.78 Mwmt. The average grade shipped for the quarter was 65.3% Fe, confirming Koolan Island as Australia's highest grade direct shipping iron ore operation.
- **Significant mined ore stockpiles established for future processing**, totalling 1.2 Mwmt at quarter-end, with a current market value in excess of \$170 million (Free on Board) once crushed for shipping. High grade iron ore mining totalled 0.95 Mwmt in the quarter, with the waste-to-ore stripping ratio averaging 1.3:1 and on track to average 1:1 across the June 2023 half-year period.
- **Group cashflow of \$28 million for the March quarter** reflecting increased total ore sales revenues of \$112 million Free on Board (FOB, after shipping freight) at an average realised price of US\$121 per dry metric tonne (dmt) FOB, cash operating costs of \$55 million (equivalent to \$84/wmt), inventory build of \$14 million, royalties of \$11 million and net exploration, Mid-West, corporate and other costs of \$4 million.
- **Cash and investment reserves of \$83 million** at 31 March 2023, reflecting the operating turnaround and positive working capital movements. Based on the forecast mining and shipping profile, the business is well positioned to achieve significant increases in operating cashflows going forward.
- Mount Gibson is targeting high grade iron ore sales of approximately **2.9 Mwmt for the 2022/23 financial year**. Cash operating costs are expected to reduce in the June quarter to achieve the annual target of around \$75/wmt FOB (before inventory build and royalties), and to reduce further in the 2023/24 financial year.

Note: All currency is stated in Australian dollars unless noted otherwise.

### Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Mount Gibson achieved a substantial operational improvement at Koolan Island in the March quarter despite interruptions to the operation's transport logistics activities from record flooding on the Kimberley mainland.

"Mine production continued strongly with 1.2 Mwmt of high grade ex-pit ore stockpiles ready for crushing at the end of the quarter. Interim crushing arrangements supported an average shipping rate of three shipments per month in the quarter, including five cargoes in March, yielding significantly improved operating cashflows and assisting in doubling the quarter-end cash and investment reserves.

"Together with continued strong pricing and demand for Koolan Island's high grade 65% Fe products, Mount Gibson is targeting rapidly increased shipments and operating cashflows in the immediate term, providing a robust platform for the Company to create value and pursue growth opportunities."

## SHIPMENTS AND PRICING AT A GLANCE

	Unit	Mar-2022 Quarter	Jun-2022 Quarter	Sep-2022 Quarter	Dec-2022 Quarter	Mar-2023 Quarter	2022/23 Year to Date
Fines sales	kwmt	238	713	451	665	<b>664</b>	<b>1,779</b>
Lump sales	kwmt	-	-	-	-	-	-
Total iron ore sales	kwmt	238	713	451	665	<b>664</b>	<b>1,779</b>
Average grade of iron ore sold	% Fe	62.8%	63.6%	65.0%	65.0%	<b>65.3%</b>	<b>65.1%</b>
Platts 62% Fe CFR price, average	US\$/dmt	142	138	103	99	<b>126</b>	<b>109</b>
Platts 65% Fe CFR price, average	US\$/dmt	170	160	115	111	<b>140</b>	<b>122</b>
Realised Koolan fines FOB price*	US\$/dmt	81	93	96	92	<b>121</b>	<b>104</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 deducted).

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

For the purpose of wet to dry tonnage conversion, moisture content typically averages 2-3% for Koolan Island iron ore products.

## OPERATIONS

### Safety

The Company's operating teams continued their focus on improvement in safety performance. The Lost Time Injury Frequency Rate (LTIFR) reduced substantially to 1.5 incidents per one million manhours worked at the end of the quarter (rolling 12 months basis), down from 2.2 at the end of the December quarter. The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) also reduced significantly to 5.9 incidents per one million manhours worked at the end of the quarter, compared with 9.0 at the end of December 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 prevent injury to Mount Gibson's people in their workplaces.

Operating statistics are tabulated in Appendix A.

### Mining

Mining operations continued in line with forecast during the March quarter despite the wet season interruptions, in particular the emergency flooding events on the mainland. Access to high-grade zones within the Main Pit expanded and the mining stripping ratio reduced as expected.

Approximately 0.95 Mwmt of high-grade iron ore was mined in the quarter at an average waste-to-ore stripping ratio of 1.3:1, down from 3:1 in the prior quarter. The stripping ratio is a key cost driver and will decline further in the June quarter to average approximately 1:1 in the current June half year.

Ore mining from the Main Pit advanced ahead of processing capacity such that mined ore stockpiles rose to 1.2 Mwmt at quarter end. This material, once crushed, has a current market value in excess of \$170 million.

### Processing

Repairs to the crushing plant following the August 2022 fire incident were completed around the end of the quarter, as forecast. Since the incident, crushing through the unaffected plant sections has been sufficient to support the interim shipping plan. In addition, a mobile crushing contractor commenced operation on site during March to assist in achieving the increased crushing and shipping output targets.

The total processed for the quarter was 0.95 Mwmt of high grade ore resulting in the production of 0.56 Mwmt of high grade fines, with the balance of the processed material stockpiled for further crushing and screening.

In relation to the August 2022 plant fire incident, Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations. Up to the end of the quarter, progress payments totalling \$2.7 million had been received from the Company's insurers, with further interim claims to be made in due course.

### *Shipments*

Sales for the March quarter totalled 0.66 Mwmt comprising nine shipments of high-grade iron ore, consistent with the prior quarter. The average grade of the shipments was 65.3% Fe and future cargoes are expected to be maintained around this level.

Sales for the nine month year-to-date period totalled 1.78 Mwmt at an average grade of 65.1% Fe.

With the main processing plant now fully operational and additional contractor crushing also underway, the shipping rate is expected to increase to circa 5 shipments per month in the near term. Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000-80,000 tonnes of iron ore.

### *Cashflow and operating costs*

Operating cashflow from Koolan Island totalled \$31 million for the quarter, a substantial turnaround from the outflow of \$3 million reported in the previous quarter. Ore sales revenues totalled \$112 million, with the key outflow items being cash operating costs (\$55 million), inventory build (\$14 million), royalties (\$11 million) and crusher repair costs (\$1 million net of insurance proceeds received).

As noted, the mined ore stockpiles built while processing capacity has been constrained totalled 1.2 Mwmt at quarter end and these stockpiles have a current market value in excess of \$170 million once processed.

Koolan Island's unit cash operating costs were \$84/wmt FOB in the quarter, before inventory build and royalties. Cash operating costs are expected to reduce in the June quarter to achieve the annual target of around \$75/wmt FOB (before inventory build and royalties), and to reduce further in the 2023/24 financial year.

Further comments regarding revenue and realised pricing are contained in the Corporate section below.

### **Mid-West**

The Company continues to receive and consider external enquiries relating to its Mid-West infrastructure assets, in particular key rail sidings and port storage sheds, and receives income from third parties for usage arrangements. Discussions remain 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 \$32 million and expects to receive the final payment later this year.

### **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 primarily in Australia. Equity positions with a combined market value of approximately \$4 million are held in a number of junior resource development 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 at the Butcher's Track prospect north of the Company's Tallering Peak mine site, approximately 160km northeast of Geraldton.

During the quarter, the Company completed drilling programs at prospects near Tallering Peak and Butcher's Track to confirm geological settings and test identified electromagnetic anomalies. Results are pending. Assessment and planning to determine the next stage of activity is underway.

## **CORPORATE**

### **Realised Pricing and Revenue**

The March quarter average Platts 62% Fe CFR price (including shipping freight) was US\$126/dmt compared with US\$99/dmt in the preceding quarter. The average Platts CFR price for high-grade 65% Fe fines was US\$140/dmt for the quarter, being a grade-adjusted 6% premium to the benchmark 62% Fe price, compared with US\$111/dmt and 7% in the prior quarter. The increase in prices during the March quarter was partly offset by the higher value of the Australian dollar, which averaged US\$0.684 compared with US\$0.657 in the prior quarter.

Shipping freight rates for Panamax vessel journeys from Koolan Island to northern China ranged from US\$11-14/tonne in the March quarter, compared with US\$12-16/tonne in the preceding quarter. Current Panamax shipping freight rates are around US\$14/wmt.

Ore sales revenue totalled \$112 million Free on Board (FOB, after shipping freight) for the quarter, reflecting an average realised price of US\$121/dmt FOB for the period. At current prices, each high grade shipment from Koolan Island has a market value of approximately \$12 million FOB (before royalties).

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing high-grade (65% Fe) 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 iron ore price averages up to two months after the month of shipment. Accordingly, the Company is subject to provisional pricing adjustments in subsequent periods.

### **Cashflow and Cash Position**

The Group's net operating cashflow for the March quarter totalled \$28 million comprising the \$31 million operating cashflow from Koolan Island as noted above, a net inflow from the Mid-West operations (\$2 million), exploration costs (\$1 million) and net corporate costs and realised foreign exchange and financial asset movements (\$4 million). After positive working capital movements totalling \$14 million, including the receipt of upward provisional pricing adjustments recorded in prior periods, the Company's cash and investments balance increased to \$83 million at the end of the quarter, compared with \$41 million at the end of December 2022.

No further drawdown will be necessary on the Company's existing \$100 million revolving credit facility, and the existing drawn amount of \$25 million is expected to be fully repaid in the June quarter.

### **Outlook**

Mount Gibson is targeting total high grade iron ore sales of approximately 2.9 Mwm in the 2022/23 financial year. Unit cash operating costs are expected to reduce in the June quarter to achieve the annual target of around \$75/wmt FOB (before inventory build and royalties), and to reduce further in the 2023/24 financial year ahead.

Based on Koolan Island's forecast mining and shipping profile, including the substantial mined ore stockpiles built in recent months, the business is well positioned to achieve significant increases in sales and operating cashflows going forward.

## Financial Results for the December 2022 Half-Year

In February, Mount Gibson released its financial results the half year ended 31 December 2022, reporting a net profit after tax of \$7.4 million.

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Mount Gibson will host an analysts/institutions teleconference at **11.00am AEST (9:00am AWST) today, 21 April 2023**. Investors will be able to listen to the teleconference by dialling **1800 896 323** immediately prior to the scheduled start time and entering the access code **76122632#** 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 +61 2 8088 0900.



Figure 1: Koolan Island Main pit, looking east over the western and central high-grade zones, April 2023.



Figure 2: Koolan Island mined ore stockpiles, crushing plant and shiploading activities, April 2023.

## APPENDIX A

### Mount Gibson Iron Limited Quarterly Operating Statistics

	Mar-2022 Quarter	Jun-2022 Quarter	Sep-2022 Quarter	Dec-2022 Quarter	Mar-2023 Quarter	<b>2022/23 YTD</b>
<b>KOOLAN ISLAND</b>	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
<b>Mining &amp; Processing</b>						
Waste mined	3,411	3,728	3,647	3,015	1,257	7,919
Ore mined	325	662	915	1,005	954	2,875
Ore crushed (incl. rehandle)	258	645	607	936	950	2,493
Fines ore produced	258	645	398	531	556	1,484
<b>Shipping/Sales</b>						
Fines	238	713	451	665	664	1,779
Lump	-	-	-	-	-	-
<b>Total</b>	238	713	451	665	<b>664</b>	<b>1,779</b>
<b>CONSOLIDATED DATA</b>						
<b>Shipping/Sales</b>						
Lump	-	-	-	-	-	-
Fines	238	713	451	665	664	1,779
<b>Total</b>	238	713	451	665	<b>664</b>	<b>1,779</b>
Average Grade shipped (%Fe)	62.8%	63.6%	65.0%	65.0%	<b>65.3%</b>	<b>65.1%</b>
<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.