



Mount Gibson Iron Limited

ABN 87 008 670 817
Level 1, 2 Kings Park Road
West Perth 6005, Western Australia
PO Box 55, West Perth WA 6872
Telephone: 61-8-9426-7500
Facsimile: 61-8-9485 2305
Email: admin@mgx.com.au



ASX ANNOUNCEMENT

ASX Code : MGX

29 June 2023

Mount Gibson to divest Mid-West assets and become a key shareholder in Fenix Resources Limited

- Mount Gibson Iron Limited (**Mount Gibson** or the **Company**) will divest its Mid-West iron ore mining and infrastructure assets to Fenix Resources Limited (**Fenix**, FEX:ASX), a high grade iron ore producer and road haulage logistics operator in the region.
- Strong transaction rationale, which sees Mount Gibson realise substantial value for the assets of its historical Mid-West operations, while retaining exposure to an expanded and higher grade local asset base through an initial 8.6% shareholding in Fenix, with the ability to increase this position further to approximately 11.8%¹.
- The consideration to be received by Mount Gibson comprises at least \$25 million in the form of \$10 million in cash and 60 million ordinary Fenix shares with a current market value of \$15 million (at Fenix's 5-day VWAP of \$0.25/share), plus 25 million 5-year equity options in Fenix. The options are in two equal tranches, with the first tranche exercisable at \$0.25 and the second at \$0.30 per Fenix share, subject to the satisfaction of certain transaction-related conditions.
- The transaction is being undertaken as an asset sale and is conditional upon various matters relating to final State Government Ministerial consent for Fenix's revised arrangements with the Mid West Ports Authority, and various other regulatory and third party consents, with completion expected during the September quarter.

Mount Gibson Chief Executive Officer Peter Kerr said: "This transaction will facilitate the formation of a consolidated innovative mining and logistics business that will benefit the shareholders of both companies and support the continued growth of the Mid-West region as a significant producer and exporter of mineral commodities.

"It also enables Mount Gibson to realise value for assets not presently reflected in its market price, and free the Company to concentrate on maximising cashflow from its high-grade Koolan Island iron ore mine in the Kimberley region and to pursue new resource investment opportunities.

"Consolidating our remaining Mid-West iron ore assets with those of Fenix in return for \$10 million in cash and a significant equity interest in Fenix – for a total in excess of \$25 million - is a sensible and attractive combination that has the potential to unlock and generate substantial further value for the shareholders of both companies, as well as to support the ongoing growth of bulk materials exports from Geraldton Port. We look forward to a positive long-term relationship with Fenix as one of its major shareholders."

Transaction Summary

Mount Gibson advises that it has reached conditional agreement to divest its iron ore mining and infrastructure interests in the Mid-West region of Western Australia to local high grade iron ore producer Fenix in return for \$10 million cash and an approximate 8.6% interest in Fenix's total issued capital, worth \$15 million at Fenix's latest 5-day VWAP of \$0.25/share, plus equity options.

The assets being sold to Fenix comprise Mount Gibson's two bulk materials storage sheds at Geraldton Port, rail sidings at Perenjori and Mullewa, various items of plant and equipment, and Mount Gibson's iron ore mining rights and other obligations at the currently suspended Shine iron ore mine near Yalgoo and the closed hematite iron ore mine at Extension Hill near Perenjori. The rehabilitation obligations which will be assumed by Fenix across the assets being divested are currently provisioned on Mount Gibson's books for approximately \$9 million.

Mount Gibson will retain its mining and exploration interests in the historic Tallering Peak mining area, to the north of which it continues to explore prospective ground for base metals mineralisation, together with its Fields Find interest. Mount Gibson will also retain its rights to the historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network. This refund stream is capped at \$35 million, of which the Company has to date received approximately \$32 million.

Transaction Rationale

Mount Gibson has been a successful iron ore producer in the Mid-West since 2004, however its remaining assets require consolidation with those of other operators to generate the required economies of scale for profitable production. In particular, the Shine iron ore mine is lower grade than Mount Gibson's Koolan Island operation and will greatly benefit from blending with higher specification products such as Fenix's Iron Ridge ores.

In relation to Mount Gibson's storage sheds in the Geraldton Port, these assets are held in-situ under existing historical lease arrangements with the Mid West Ports Authority (**MWPA**) and require certain minimum throughput levels to be retained.

Accordingly, the combination of Mount Gibson's remaining Mid-West iron ore and port assets within Fenix's vertically integrated mining and bulk road haulage business will create an innovative mining and logistics business that will have increased annual production for the benefit of shareholders of both companies, and support the ongoing development of mining production and bulk mineral exports in the Mid-West region.

The transaction represents an opportunity for Mount Gibson to realise value for assets which are not presently reflected in the Company's share price and to participate via a direct equity interest in an exciting and expanded high-grade Mid-West iron ore and bulk materials logistics business.

Key Terms and Consideration

The transaction is structured as an asset sale and purchase, with Fenix acquiring land and tenement titles, mining rights, and plant and equipment, along with the rehabilitation and other contractual obligations associated with these assets.

Consideration for the transaction comprises the following:

- Cash - \$10 million, payable on completion of the transaction;
- Fenix shares - 60 million ordinary shares in Fenix, issuable on completion;
- Fenix options – two tranches of 12.5 million 5-year options each to acquire Fenix shares, issuable on completion of the transaction. The first tranche of options is exercisable at \$0.25 per Fenix share and the second tranche is exercisable at \$0.30 per Fenix share, subject to the satisfaction of certain transaction-related conditions (which are expected to be satisfied within 6 months).

- Mount Gibson will also have the right, but not the obligation, to nominate a non-executive director to the Fenix Board should its equity interest increase to at least 10%.
- Completion of the transaction is conditional upon the satisfaction or (where possible) waiver of the following key conditions:
 - a) Surrender and replacement of Mount Gibson's and Fenix's existing MWPA port services and lease agreements with new agreements between MWPA and Fenix, and the receipt of Ministerial approval for these new agreements; and
 - b) The receipt of waivers and/or consents from various parties and banking institutions relating to the tenure and contractual rights for certain of the asset groups.

Fenix has also undertaken to make offers of employment to Mount Gibson's existing Geraldton Port-based employees who operate Mount Gibson's storage shed facilities.

The asset sale agreement between Mount Gibson and Fenix contains warranties given by the parties to each other typical for a transaction of this nature.

Timing

The transaction is expected to complete in the September quarter assuming satisfaction of consents and conditions in respect of third party interests.

Authorised by:

Peter Kerr
Chief Executive Officer
Mount Gibson Iron Limited
+61-8-9426-7500
www.mtgibsoniron.com.au

For more information:

John Phaceas
Manager Investor & External Relations
+61-8-9426-7500
+61-(0)411-449-621

Footnote 1: Shareholding percentages are based on the fully paid ordinary shares on issue in the capital of Fenix as at the date of this announcement, allowing for the issue of 30 million vendor shares and 20 million Newhaul Milestone 1 shares as set out in Fenix's ASX release dated 27 June 2023, and assuming no further shares are issued by Fenix.