



## MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2023 20 October 2023

- Strong operational start to FY24 with **record quarterly high grade iron ore sales of 1.3 million wet metric tonnes (Mwmt)** from Koolan Island at an average shipped ore grade of 65.5% Fe, for ore sales revenue of \$208 million (Free on Board basis).
- **Cashflow of \$124 million for the September quarter** comprising operating cashflow of \$115 million from Koolan Island plus cashflow from the Mid-West business (\$1 million), cash proceeds from the Mid-West asset divestment to Fenix Resources (\$10 million), interest and dividend income (\$4 million) and corporate, administration and exploration costs (\$6 million).
- **Cash operating costs of \$56/wmt sold (before royalties)** at Koolan Island for the quarter, providing the operation with a cashflow margin of approximately \$86/wmt sold.
- **Significantly increased cash and investment reserves of \$257 million** at quarter-end, excluding the value of the Company's share and option holdings in Fenix Resources, compared with \$162 million at the end of June 2023.
- **FY24 guidance confirmed for high grade iron ore sales of 3.8-4.2 Mwmt** at an average unit cash operating cost of **\$65-70/wmt FOB** before royalties. It is currently expected that the rock fall incurred on the Koolan Island Main Pit footwall in August can be remediated with previously utilised geotechnical techniques, with limited impact on the mine plan. Further assessment will occur as the remediation works are undertaken.
- **Ms Evian Delfabbro** appointed an Independent Non-Executive Director, succeeding Mr Russell Barwick who stepped down after almost 12 years' Board service.
- **Total Ore Reserves of 12.4 Mt grading 65.2% Fe** within total Mineral Resources of 41.5Mt grading 63.3% Fe, all at Koolan Island.

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

### Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Mount Gibson has made a strong start to the new financial year with a record sales quarter from Koolan Island, resulting in significant positive cashflow and rapid growth in cash and investment reserves.

"We completed eighteen shipments in the quarter, lifting sales in the period above 1.3 Mwmt, and with iron ore prices for high grade ores remaining well supported, the Company expects to continue building its cash reserves and its capacity for investment in new resources investment opportunities.

"We also look forward to benefiting from our ongoing exposure to expected growth in bulk commodity exports from the Mid-West region through the recent consolidation of our former Mid-West assets with those of Fenix Resources, in which Mount Gibson is now the largest shareholder."

## SUMMARY STATISTICS

	Unit	Sep-2022 Quarter	Dec-2022 Quarter	Mar-2023 Quarter	Jun-2023 Quarter	Sep-2023 Quarter	2023/24 Year
Waste mined (incl. rehandle)	kwmt	3,647	3,015	1,257	968	<b>692</b>	<b>692</b>
Ore mined	kwmt	915	1,005	954	1,121	<b>1,046</b>	<b>1,046</b>
Total material moved	kwmt	4,562	4,020	2,211	2,089	<b>1,738</b>	<b>1,738</b>
Strip ratio	Waste:Ore	4.0	3.0	1.3	0.9	<b>0.7</b>	<b>0.7</b>
Processing throughput	kwmt	607	936	950	1,109	<b>1,198</b>	<b>1,198</b>
Fines ore sales	kwmt	451	665	664	1,249	<b>1,331</b>	<b>1,331</b>
Lump ore sales	kwmt	-	-	-	-	-	-
Total iron ore sales	kwmt	451	665	664	1,249	<b>1,331</b>	<b>1,331</b>
Average grade of iron ore sold	% Fe	65.0%	65.0%	65.3%	65.5%	<b>65.5%</b>	<b>65.5%</b>
Platts 62% Fe CFR price, average	US\$/dmt	103	99	126	111	<b>114</b>	<b>114</b>
Platts 65% Fe CFR price, average	US\$/dmt	115	111	140	124	<b>125</b>	<b>125</b>
Realised Koolan fines FOB price*	US\$/dmt	96	92	121	103	<b>105</b>	<b>105</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 prices are shown on a FOB basis 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 have achieved a substantial improvement in safety performance over the last 12 months. The Lost Time Injury Frequency Rate (LTIFR) was 0.7 incidents per one million manhours worked at the end of the September quarter (rolling 12 months basis), down from 1.4 at the end of the previous corresponding period of 2022. The incurrence of two Restricted Work Injuries in the September quarter resulted in the rolling 12-month Total Recordable Injury Frequency Rate (**TRIFR**) increasing slightly to 6.7 incidents per one million manhours worked at the end of the quarter, compared with 5.2 at the end of June 2023. The TRIFR still remains below 8.5, being the rate at the end of the previous corresponding period in 2022, and work continues on resuming the downward trend in injury incidence. 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.

### Koolan Island

#### Mining

Mining performance at Koolan Island progressed broadly in line with plan in the September quarter, although the sequencing of material movement was amended following the early August rock fall on the Main Pit footwall (refer further commentary below). High grade iron ore extraction from the Main Pit was steady relative to the preceding period, totalling just over 1.0 Mwmt in the quarter.

The mining waste-to-ore stripping ratio also further reduced as expected, averaging just under 0.7:1 in the quarter compared with 0.9:1 in the preceding quarter. The stripping ratio is a key cost driver for the Koolan Island operation and although it will rise for limited periods in line with waste extraction cycles in the Main Pit, it is expected to remain at low average rates of approximately 1.2:1 over the remaining mine life. High grade ore stockpiles available for crushing totalled approximately 0.6 Mwmt at the end of the quarter.

As previously reported, a localised rock fall occurred in a section of the eastern footwall (island-side) of the Main Pit at Koolan Island on 5 August 2023. The event was detected in advance by the site's continuous radar monitoring systems, and no injuries or equipment damage occurred. The affected area is not currently being mined and ore production is not scheduled to occur in that location until the March 2024 quarter. Based on the Company's geotechnical evaluation, current expectations are that remedial measures can be implemented to enable mining to recommence in the impacted zone with limited impact on the current mine plan. Further geotechnical assessment will occur as the ground support plan is implemented.

### *Processing*

Processing volumes improved during the quarter and a mobile crushing contractor continues to supplement the main plant to accelerate processing of the site's substantial high grade ore stockpiles. Consequently, total processing throughput for the quarter increased to almost 1.2 Mwmt.

In relation to the August 2022 processing plant fire incident, Mount Gibson has property damage and business interruption insurance cover for the Koolan Island operations. The final property damage claim component is expected to total approximately \$10 million, of which almost \$8 million was received last financial year and \$1 million was received during the September quarter, leaving \$1 million to be received in the current December quarter. The Company continues to liaise with its insurers regarding a business interruption claim resulting from the fire, however the timing, likelihood and potential quantum of such a claim remains uncertain at this time.

### *Shipments*

Sales for the September quarter totalled a record 1.3 Mwmt of high-grade ore, comprising 18 shipments at a rate of six shipments per month. This bettered the total of 1.2 Mwmt from 17 shipments achieved in the preceding quarter. The average grade of the September quarter shipments was 65.5% Fe. 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*

Cash operating costs, before royalties, were \$56/wmt of iron ore sold, providing the operation with a cashflow margin, after royalties, of approximately \$86/wmt sold.

Operating cashflow from Koolan Island totalled \$115 million for the quarter, compared with \$89 million achieved in the previous quarter. Revenues comprised \$208 million Free on Board (FOB, after shipping freight) from ore sales plus \$2 million in other income related to insurance receipts and the sale of surplus assets. Cash outflow items comprised cash costs (\$75 million) and royalties (\$20 million).

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

## **Mid-West**

### *Mid-West Transaction*

As previously reported, in late July 2023 Mount Gibson formally completed the divestment of its Mid-West iron ore mining and infrastructure assets to fellow Mid-West producer Fenix Resources Limited (**Fenix**) for total consideration of approximately \$29 million, comprising \$10 million cash, 60 million Fenix shares and 25 million Fenix options (exercisable in two tranches of 12.5 million options at \$0.25 and \$0.30 each respectively within five years of settlement).

Mount Gibson consequently holds approximately 8.6% of Fenix, making it Fenix's largest shareholder. At the end of September, Fenix's shares were trading at \$0.23 each valuing Mount Gibson's shareholding and associated equity options at approximately \$15 million. Mount Gibson received a total of \$1.2 million in franked dividends from its Fenix shareholding in September.

The assets sold to Fenix comprise Mount Gibson's two bulk materials storage sheds at Geraldton Port, rail sidings at Perenjori and Mullewa, 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. Fenix acquired land and tenement titles, mining rights, and plant and equipment, along with

the rehabilitation and other contractual obligations associated with these assets. The rehabilitation obligations assumed by Fenix across the assets being divested were provisioned on Mount Gibson's books for \$8.2 million as at 30 June 2023.

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

#### *Other assets*

Mount Gibson has retained 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 has also retained its rights to the historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network which accrues at a rate of approximately \$2 million per quarter, with payments made every six months. The total accrued for the September quarter was approximately \$2 million. The contractual \$35 million cap of this credit refund has now been reached, with adjustment expected after month end once the final reconciliation and indexation calculations are completed.

Cashflow from the Mid-West business totalled approximately \$1 million during the quarter.

### **Exploration and Business Development**

Mount Gibson continues to seek and review 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 \$3 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 during the quarter it earned a minimum 50% interest in prospective exploration tenure at the Butcher's Track prospect north of the Company's Tallering Peak mine site, approximately 160km northeast of Geraldton. Work during the quarter involved data reviews at Butcher's Track and assessing the use of additional geophysical methods to assist with targeting at the Baileys and Gregory prospects at Tallering Peak to follow up encouraging preliminary geological indicators.

Significant time was also devoted to new project generation, field visits and discussions with third parties with regard to additional potential base metal farm-in opportunities.

## **CORPORATE**

### **Realised Pricing and Revenue**

The September quarter average Platts 62% Fe CFR price (including shipping freight) was US\$114/dmt compared with US\$111/dmt in the preceding quarter. The average Platts CFR price for high-grade 65% Fe fines was US\$125/dmt for the quarter, being a grade-adjusted 5% premium to the benchmark 62% Fe price, compared with US\$124/dmt and 7% in the prior quarter. Realised prices also benefited from further weakness in the Australian dollar, which averaged US\$0.655 during the quarter compared with US\$0.668 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 September quarter, with the current shipping freight cost being around US\$13/wmt.

Ore sales revenue totalled \$208 million FOB for the quarter, reflecting an average realised price of US\$105/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.

### **Iron Ore and Foreign Exchange Hedging**

With the divergent move of iron ore prices and the A\$/US\$ foreign exchange rate late in the September quarter, resulting in an increase in the Australian dollar iron ore price, Mount Gibson took the opportunity to hedge a portion of its forecast production over the October 2023 to March 2024 period. These hedge contracts cover 35,000 tonnes per month at a flat price of A\$175 per tonne (CFR, including shipping freight), protecting a substantial cash margin on these hedged tonnages.

Mount Gibson also holds foreign exchange collar contracts protecting the conversion of US\$31 million in the December quarter, with cap price protection at an average level of A\$1.00/US\$0.696 and floor prices (below which Mount Gibson does not participate) at an average of A\$1.00/US\$0.625.

### **Group Cashflow and Cash Position**

The Group's cashflow for the September quarter totalled \$124 million comprising operating cashflow of \$115 million from Koolan Island as noted above, plus cashflow from the Mid-West business (\$1 million), cash proceeds from the Mid-West asset divestment to Fenix Resources (\$10 million), interest and dividend income (\$4 million) and corporate, administration and exploration costs (\$6 million).

After working capital movements, the Company's cash and investments balance increased by \$95 million to \$257 million at the end of the quarter, compared with \$162 million at the end of June 2023. This total excludes the value of 60 million shares and 25 million equity options held in Fenix following completion of the Mid-West transaction in July 2023. At quarter end, these shares and options had a market value of approximately \$15 million.

### **Outlook and Group Guidance**

Mount Gibson is targeting FY24 sales of 3.8-4.2 Mwmt of high grade iron ore from Koolan Island, a significant increase on last year, at an average site cash operating cost of \$65-70/wmt sold FOB before royalties.

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 its FY24 targets and to generate substantial cashflows in future years.

### **Financial Results for FY23**

On 23 August 2023, Mount Gibson announced its financial results for the 2022/23 financial year (FY23), reporting a gross profit of \$114.2 million on total revenue of \$452.6 million FOB. This compared with a gross loss of \$72.8 million in the preceding financial year and reflected the significant operating and shipping rate improvements at Koolan Island from early 2023 onwards.

Net profit after tax totalled \$5.2 million after non-cash impairment expenses of \$75.4 million, derecognition of deferred tax assets of \$16.5 million, and other income and administration, corporate and financing costs. This compared with a net loss after tax of \$174.1 million in the prior financial year. Impairment and derecognition expenses in FY23 largely reflected conservative pricing inputs to the required accounting estimates. The results also excluded the sale of the Company's Mid-West assets, which was completed in July and will be recorded in FY24.

### **Director Changes**

The Company appointed Ms Evian Delfabbro to the Board as an Independent Non-Executive Director in August 2023 to succeed Mr Russell Barwick who stepped down from the Board following nearly 12 years of valued contribution to the Company. Mr Barwick is thanked for his contribution since joining the Board in November 2011, and Ms Delfabbro is welcomed to the Board. More information is detailed in the Company's separate ASX release dated 23 August 2023.

## Mineral Resources and Ore Reserves at 30 June 2023

Mount Gibson released its Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2023, estimating total Ore Reserves of 12.4 Mt grading 65.2% Fe, including stockpiles, from within its total Mineral Resources of 41.5Mt grading 63.3% Fe, all at Koolan Island. Full details are contained in the ASX release dated 28 September 2023.

## Annual General Meeting (AGM) and 2023 Annual Report

Mount Gibson will be holding a "hybrid" Annual General Meeting in Perth on 15 November 2023. Shareholders may participate by attending in person or via webcast. Information explaining how shareholders may access, vote and ask questions within the online meeting room is detailed in the Company's Notice of AGM released on 13 October 2023. Mount Gibson also released its 2023 Annual Report on 13 October 2023. Both documents are available on the Company's website.

*Authorised by:*

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Mount Gibson will host an analysts/institutions teleconference at **11.30am AEDT (8:30am AWST) today, 20 October 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.

## Competent Person Statements

### *Exploration Results*

The information in this report that relates to Exploration Results including sampling techniques and data management is based on information compiled by Brett Morey, a Competent Person who is 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 relevant to the style of mineralisation and type of deposits 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 this report of the matters based on his information in the form and context in which it appears.

### *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 now 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.

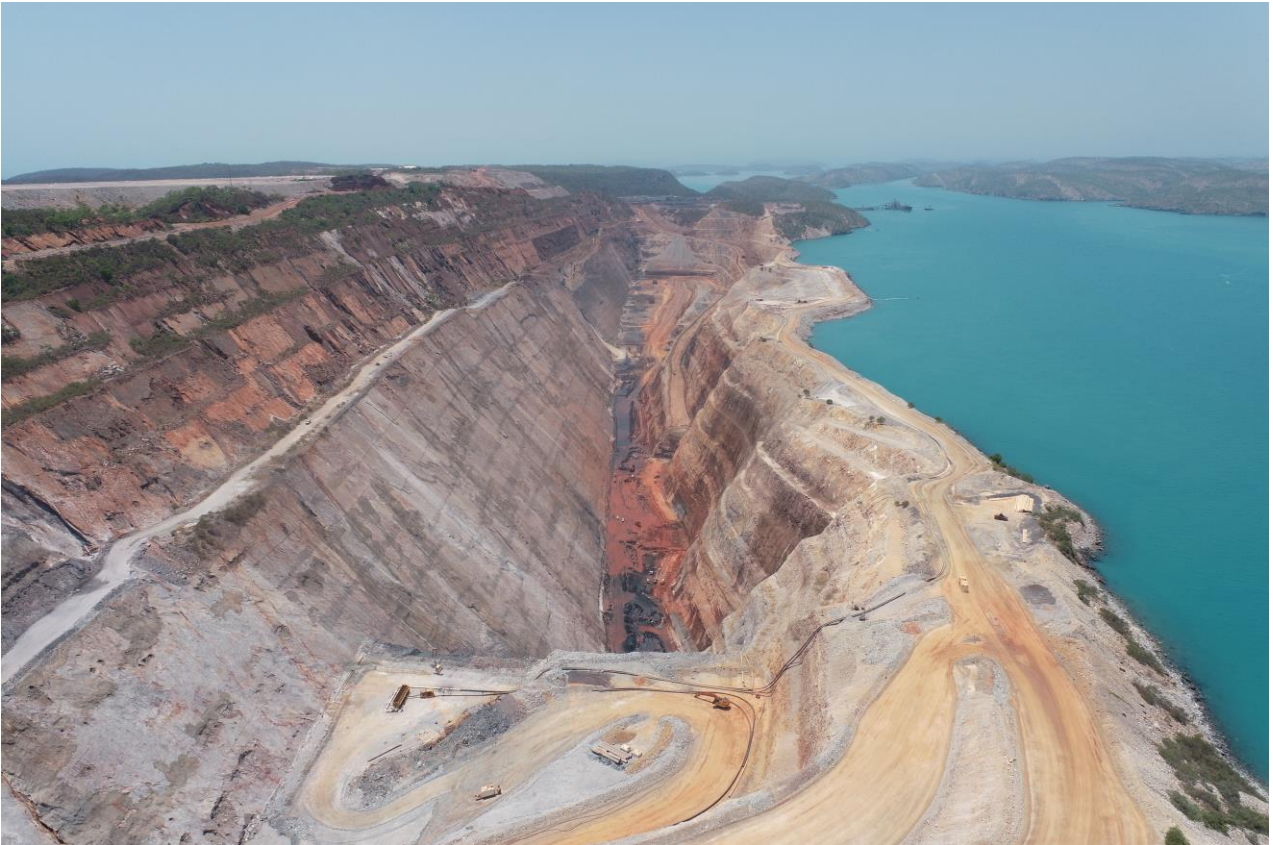


Figure 1: Koolan Island Main pit, looking east over the western and central high-grade zones, October 2023.



Figure 2: High-grade ore exposed on the western floor of the Main Pit, October 2023.