



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

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Chairman's Address – 2023 Annual General Meeting

The 2023 financial year was one of significant financial and operational improvement as Mount Gibson Iron Limited (**Mount Gibson** or **the Company**) began to capture the benefits of its investment in Koolan Island over the preceding two years. This investment was undertaken to enable increased ore production, sales and cashflow over Koolan Island's remaining mine life.

The improved performance was achieved amid continued volatility in iron ore market conditions, global inflationary pressures, tight labour availability, and the impacts of an accidental fire in the Koolan Island processing plant in August 2022.

Group revenue totalled \$452.6 million Free on Board (**FOB**) from high-grade ore sales of 3.0 million wet metric tonnes (Mwmt) grading 65.3% Fe, all from Koolan Island. This compared with revenue of \$131.1 million FOB on sales of 1.65 Mwmt in the preceding year. All currency is stated in Australian dollars unless noted otherwise.

The Company returned to profitability in the year, recording a net profit after tax of \$5.2 million after pre-tax accounting impairments totalling \$75.4 million on the carrying value of assets and the derecognition of deferred tax assets totalling \$16.5 million. These non-cash expenses reflected the volatile market conditions, higher interest rates and inflationary pressures evident in recent months.

The net profit for the year compared with a loss after tax of \$174.1 million for the prior 2021/22 financial year. Gross profit totalled \$114.2 million compared with a gross loss of \$72.8 million in the prior year.

This improvement followed the Company's decision to maintain Koolan Island mining production at planned rates while the fire-damaged processing plant was repaired. The resulting establishment of substantial high grade ore stockpiles allowed ore processing and shipments to accelerate rapidly once plant repairs were completed in early April 2023.

As a result, the Company's cash and liquid investments increased over the year by \$36.8 million to \$162.4 million at 30 June 2023, after repayment in full of the Company's \$25 million borrowing facility.

This strong cash generation has continued since the end of the financial year, with the Company achieving record sales of over 1.3 Mwmt of high grade iron ore from Koolan Island in the September quarter. Combined with lower costs and good realised prices, total cash and investments increased over the quarter by \$95 million to \$257 million as at 30 September 2023.

This solid start to the new financial year supports our expectations of substantially higher ore sales going forward. As indicated, this financial year we are targeting total iron ore sales of between 3.8 and 4.2 Mwmt at an average unit cash costs of \$65-70 per wet metric tonne.

Mount Gibson also recently captured value from the sale of its historical Mid-West mining and infrastructure assets to regional iron ore miner Fenix Resources. At completion of this transaction in July 2023, Mount Gibson received total consideration of \$29.5 million, comprising \$10 million in cash plus shares and options in Fenix with a market value at that time of approximately \$19.5 million. Mount Gibson is now the largest shareholder in Fenix with an equity interest of approximately 8.6% and scope to increase via a further 25 million options that came with the sale. In addition, Mount Gibson received a fully franked dividend of \$1.2 million on its Fenix shareholding in September.

From a strategic perspective, the sale of the Mid-West assets frees the business to focus on maximising cashflow from Koolan Island and to pursue new resource investment opportunities, whilst retaining exposure to Fenix's growing Mid-West mining and logistics operations.

Given this focus, the Board elected not to declare a dividend for the 2022/23 year. However, the Board does intend to resume paying dividends going forward and will review dividend capacity, including the expected generation of franking credits, at future interim and full-year periods.

Looking ahead, the Board has determined the following key business objectives for Mount Gibson for the 2023/24 financial year:

- We will continue to focus on further safety improvement at all our worksites, as well as maintain our high standard of environmental and rehabilitation activities, and to pursue appropriate carbon reduction initiatives.
- At Koolan Island, we aim to further increase the production and export of high grade iron ore to maximise sales and cashflow of the operation.
- We also continue to drive for sustainable productivity and cost improvements, and to responsibly manage the Group's cash and financial reserves.
- And finally, we are now accelerating the search for value accretive resource acquisition and growth opportunities.

By focusing on these priorities, we are confident that Mount Gibson can navigate ever changing market conditions and deliver substantial long term capital growth and dividend returns for all shareholders.

In closing, I would like to thank my fellow Directors and in particular the employees and contractors of Mount Gibson for their commitment and efforts over the year.

I would also like to thank Mr Russell Barwick for his valued contribution over almost 12 years as a Non-Executive Director of Mount Gibson before stepping down in August 2023, and I welcome Ms Evian Delfabbro to the Board as a new Non-Executive Director.

I look forward to reporting on our performance in 2024 and future years.

Lee Seng Hui
Chairman
Mount Gibson Iron Limited

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