



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 DECEMBER 2023 18 January 2024

- **Continued strong operating performance** in the December quarter, with iron ore sales of **1.2 million wet metric tonnes (Mwmt) at an average grade of 65.3% Fe**. Ore sales from Koolan Island totalled a **record 2.5 Mwmt** in the FY24 December half year.
- **Quarterly ore sales revenue of \$228 million** Free on Board (FOB), taking sales revenue for the first half of FY24 to \$436 million FOB.
- **Cashflow of \$123 million for the December quarter** comprising operating cashflow of \$129 million from Koolan Island plus interest income (\$4 million), net of corporate, administration and exploration costs (\$5 million) and realised hedging outflows (\$5 million) reflecting higher realised Australian dollar iron ore prices.
- **Significantly increased cash and investment reserves of \$358 million** at quarter-end, excluding the value of the Company's share and option holdings in Fenix Resources (totalling approximately \$18 million), compared with \$257 million at the end of the September quarter.
- **Cash operating costs of \$62/wmt sold** (before royalties and capital projects) at Koolan Island for the quarter, providing a robust **cashflow margin of \$108/wmt sold**. Cash operating costs averaged \$59/wmt FOB for the December half-year period, consistent with annual guidance (which reflects the operation's seasonal factors).
- **FY24 production guidance maintained for high grade iron ore sales of 3.8-4.2 Mwmt** at an average unit cash operating cost (before royalties and capital projects) of **\$65-70/wmt FOB**.

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

Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Mount Gibson delivered a strong operating and financial performance in the December quarter and for the first half of the 2023/24 financial year. The Koolan Island mine generated significant positive cashflow from high-grade ore production, underpinning the growth of the Company's cash and investment reserves.

"Consistent with guidance, fifteen shipments were completed totalling 1.2 Mwmt in the quarter, resulting in record six monthly high-grade ore sales from Koolan Island of over 2.5 Mwmt. We expect sales to moderate during the northern Western Australian wet season and into 2024 now that ore stockpiles have reverted to normal levels but with iron ore prices remaining well supported, Mount Gibson is in a strong position to achieve its FY24 annual guidance of 3.8-4.2 Mwmt and to increase its capacity for new investment opportunities."

SUMMARY STATISTICS

| | Unit | Dec-2022 Quarter | Mar-2023 Quarter | Jun-2023 Quarter | Sep-2023 Quarter | Dec-2023 Quarter | 2023/24 Year to Date |
|----------------------------------|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
| Waste mined (incl. rehandle) | kwmt | 3,015 | 1,257 | 968 | 692 | 736 | 1,427 |
| Ore mined | kwmt | 1,005 | 954 | 1,121 | 1,046 | 904 | 1,950 |
| Total material moved | kwmt | 4,020 | 2,211 | 2,089 | 1,738 | 1,640 | 3,378 |
| Strip ratio | Waste:Ore | 3.0 | 1.3 | 0.9 | 0.7 | 0.8 | 0.7 |
| Processing throughput | kwmt | 936 | 950 | 1,109 | 1,198 | 1,096 | 2,294 |
| Fines ore sales | kwmt | 665 | 664 | 1,249 | 1,331 | 1,113 | 2,444 |
| Lump ore sales | kwmt | - | - | - | - | 81 | 81 |
| Total iron ore sales | kwmt | 665 | 664 | 1,249 | 1,331 | 1,193 | 2,525 |
| Average grade of iron ore sold | % Fe | 65.0% | 65.3% | 65.5% | 65.5% | 65.3% | 65.4% |
| Platts 62% Fe CFR price, average | US\$/dmt | 99 | 126 | 111 | 114 | 128 | 121 |
| Platts 65% Fe CFR price, average | US\$/dmt | 111 | 140 | 124 | 125 | 139 | 132 |
| Realised Koolan fines FOB price* | US\$/dmt | 92 | 121 | 103 | 105 | 128 | 116 |

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 declined to zero incidents per one million manhours worked at the end of the December quarter (rolling 12 months basis), down from 0.7 at the end of September 2023. The occurrence of two Restricted Work Injuries in the quarter unfortunately resulted in the rolling 12-month Total Recordable Injury Frequency Rate¹ increasing slightly to 6.8 incidents per one million manhours worked, compared with 6.7 at the end of September. Work continues on improving safety culture and performance, this being a key value for the Company.

Koolan Island

Mining

Mining performance at Koolan Island during the December quarter focused on the lower levels of the western zones and some upper benches in the eastern area of the Main pit. Mining was re-sequenced to adjust for the central footwall rock slip which occurred in the prior quarter (refer below) and tighter working confines and ground support activities on the high grade pit floor. The total ore extracted was 0.9 Mwmt, down from 1.0 Mwmt in the prior quarter.

The mining waste-to-ore stripping ratio averaged 0.8:1 in the quarter compared with 0.7:1 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 the next 12 months in line with haul ramp repositioning and waste extraction cycles in the Main Pit, it is expected to remain at low average rates of approximately 1.5:1 over the remaining three year mine life.

¹ Mount Gibson's definition of the Total Recordable Injury Frequency Rate (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.

As previously reported, a localised rock fall occurred in a section of the eastern footwall (island-side) of the Main Pit in August 2023. The event was detected in advance by the site's continuous radar monitoring systems and no people or equipment were placed at risk. The area was not actively being mined at the time and mining in that area had not been expected to recommence until later in the March 2024 quarter.

During the December quarter the area surrounding the rock fall was cleared and the underlying exclusion zone maintained. The Company continues to review the mining schedule and production sequencing to minimise any potential impact on near-term production. The affected area is located at the intersection of the western and eastern sections of Main Pit, which allows production to continue in the western end of Main Pit before transitioning to the eastern end of the pit at the start of the coming June quarter. Consequently, the affected area will be bypassed for at least the duration of the current wet season to enable any impacts of wet season conditions to be observed before proceeding with proposed remedial ground support activities. Production from higher benches in the eastern end of Main Pit has consequently been brought forward, with mining expected to resume in the affected area at a later date. Further updates will be provided in due course as remediation and mine sequencing approaches are finalised.

Processing

Processing volumes continued at planned rates in the quarter, with a mobile crushing contractor continuing to supplement the main plant to complete the drawdown of high-grade ore stockpiles established in prior periods. Consequently, processing throughput for the quarter exceeded ore production and totalled almost 1.1 Mwmt. Stockpiles of high-grade ore established in 2023 are now effectively depleted and shipped.

During the quarter the Company also committed to the installation of a tertiary crushing circuit to treat harder oversized material from the lower central and eastern areas of the Main Pit on a more efficient and cost-effective basis. The estimated capital cost is approximately \$8 million, of which just over \$1 million was spent in the quarter. The circuit is expected to be operational in April.

Shipments

Sales for the December quarter totalled 1.2 Mwmt of high-grade ore, comprising 15 shipments (14 fines cargoes and 1 mixed lump cargo) at an average rate of five shipments per month. The average grade of the December quarter shipments was 65.3% Fe. Shipments for the December half year totalled a record 2.5 Mwmt grading 65.4% Fe.

As previously guided, the Company is targeting an average of four shipments per month during the current wet season to account for usual seasonal production interruptions.

A milestone was achieved in early January 2024 with Mount Gibson exporting its 500th shipment of iron ore from Koolan Island since it acquired and restarted the operation in 2007. Over that time, iron ore exports from Koolan Island have totalled 36.6 Mwmt. This is a significant achievement and one of which all former and current Mount Gibson and Koolan Island personnel can be proud.

Cashflow and operating costs

Cash operating costs, before royalties and capital projects, were \$62/wmt of iron ore sold in the quarter Free on Board (FOB, after shipping freight), providing the operation with a cashflow margin, after royalties and capital, of \$108/wmt sold. Cash operating costs (before royalties and capital projects) averaged \$59/wmt FOB for the December 2023 half year, on track with annual guidance for FY24.

Operating cashflow from Koolan Island totalled \$129 million for the quarter, compared with \$115 million in the previous quarter. Revenues comprised \$228 million FOB from ore sales plus other income of \$2 million related to insurance receipts and other items. Cash outflow items comprised cash operating costs (\$74 million), capital projects and equipment purchases (\$5 million) and royalties (\$22 million).

Operating cashflow for the December 2023 half year totalled \$244 million comprising ore sales and other revenues (\$439 million) less cash operating costs (\$147 million), capital projects and equipment purchases (\$6 million) and royalties (\$42 million).

Further comments regarding revenue and realised pricing are contained in the Corporate section of this report.

Insurance

In relation to the August 2022 processing plant fire incident at Koolan Island, Mount Gibson holds property damage and business interruption insurance cover which has responded to this incident. The Company's property damage claim totalled approximately \$10 million, of which almost \$8 million was received last financial year with \$1 million received in each of the September and December quarters to complete the claim. 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 any proceeds from such a claim remains uncertain at this time.

In late December, the Federal Court issued its judgment regarding a long-standing historical claim by the Company against a former insurer arising from the 2014 failure of the Koolan Island Main Pit seawall. The matter is yet to be fully determined and remains the subject of court processes. Mount Gibson expects the judgment to be favourable to some of its claims but the amounts involved are not material.

Mid-West

Since divesting the majority of its Mid-West mining and infrastructure assets in July 2023 to fellow Mid-West producer Fenix Resources Limited (**Fenix**), Mount Gibson's primary interest in the region has been its resultant 8.6% shareholding and optionholding in Fenix.

Mount Gibson also retains its rights to the long-standing historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network. The refund arrangement expired in accordance with its terms in the prior quarter, and the final payment of just over \$2 million is expected in the March 2024 quarter.

Exploration and Business Development

Mount Gibson continues to pursue potential investment opportunities consistent with the Company's objective to extend and grow its business into new operations, targeting opportunities in the bulk commodities and base metals sectors primarily in Australia. Equity positions with a combined market value of approximately \$5 million are held in a small number of junior resource development companies where it is considered that future financing or strategic opportunities may arise. Significant time is being devoted to new project generation, field visits and discussions with third parties with regard to further potential acquisition and partnering opportunities.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, where it has earned a minimum 50% interest in prospective exploration tenure at the Butcher's Track prospect north of the Company's Talling Peak mine site, approximately 160km northeast of Geraldton. Work during the quarter included a large soil sampling program, comprising over 1,100 samples, focused on the broader region between the main Bailly and Gregory prospects at the Talling Project. The Company also continued to assess additional geophysical methods to assist with targeting at Talling, where it has identified several encouraging preliminary geological indicators, while its data review of Butcher's Track is ongoing.

CORPORATE

Realised Pricing and Revenue

The December quarter average Platts 62% Fe CFR fines price (including shipping freight) was US\$128/dmt compared with US\$114/dmt in the preceding quarter. The average Platts CFR fines price for high-grade 65% Fe fines was US\$139/dmt for the quarter, being a grade-adjusted 4% premium to the benchmark 62% Fe price, compared with US\$125/dmt and 5% in the prior quarter. Realised prices also benefited from the continued weakness in the Australian dollar, which averaged US\$0.65 during the quarter and half year periods.

Ore sales revenue totalled \$228 million FOB for the quarter, reflecting an average realised fines price of US\$128/dmt FOB, and sales revenue for the December half-year period totalled \$436 million reflecting an average realised fines price of \$116/dmt FOB. These realised prices are stated on a FOB basis after shipping freight, specification adjustments/penalties and provisional pricing adjustments.

Shipping freight rates for Panamax vessel journeys from Koolan Island to northern China averaged US\$14/tonne in the December quarter.

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. Reported revenues include estimated provisional pricing for December quarter shipments which will ultimately settle based on prices in the March quarter, and for which revised estimates may be included in the Company's December 2023 half-year results in due course.

Iron Ore and Foreign Exchange Hedging

With the continued divergent move of iron ore prices and the A\$/US\$ foreign exchange rate into the December quarter, resulting in an increase in the Australian dollar iron ore price, Mount Gibson added to its hedge book to protect a portion of its forecast production over the January to June 2024 period. These hedge contracts cover a total of 420,000 tonnes (being 35,000-105,000 tonnes per month) at prices of A\$175-195 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\$9 million in the June quarter, with cap price protection at an average level of A\$1.00/US\$0.690 and floor prices (below which Mount Gibson does not participate) at A\$1.00/US\$0.635.

Group Cashflow and Cash Position

The Group's cashflow for the December quarter totalled \$123 million comprising operating cashflow of \$129 million from Koolan Island as noted above, plus interest income (\$4 million), net of corporate, administration and exploration costs (\$5 million) and realised hedging outflows (\$5 million) reflecting higher realised Australian dollar iron ore prices (refer above).

Group cashflow for the December half-year totalled \$247 million comprising operating cashflow of \$244 million from Koolan Island, Mid-West cashflow (\$1 million), interest and dividend income (\$8 million) and asset sales (\$10 million), net of corporate, administration and exploration costs (\$11 million) and realised hedging outflows (\$5 million) as noted above.

After working capital movements during the quarter, the Company's cash and investments balance increased by \$101 million to \$358 million, compared with \$257 million at the end of September and \$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 \$18 million.

Outlook and Group Guidance

Mount Gibson continues to target FY24 sales of 3.8-4.2 Mwmt of high grade iron ore from Koolan Island at an average site cash operating cost of \$65-70/wmt sold FOB before royalties and capital projects. Based on Koolan Island's forecast mining and shipping profile, the business is in a strong position to achieve its FY24 targets and to generate substantial cashflows in future years.

Results for the December 2023 Half-Year

Mount Gibson is scheduled to release its financial results for the half-year ended 31 December 2023 on Wednesday, 21 February 2024.

2023 Annual General Meeting

Mount Gibson held its Annual General Meeting in Perth on 15 November 2023 at which all resolutions were passed. A webcast recording of the meeting and voting results are available on the Company's website.

2023 Sustainability Report

The Company published its 2023 Sustainability Report on the Mount Gibson website in December, the 11th such report produced by Mount Gibson. The 2023 report documents the Company's continued progress in achieving substantial energy consumption and carbon emission reductions, its significant economic contribution to the State and nation, and its positive performance with regard to operational safety, workforce diversity, environmental management and responsible development of its mineral resources.

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 **11.30am AEDT (8:30am AWST) today, 18 January 2024**. 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, November 2023.



Figure 2: High-grade ore mining in the upper east end of Main Pit, December 2023.