



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 MARCH 2024 18 April 2024

- Iron ore sales of **0.7 million wet metric tonnes (Mwmt) at an average grade of 65.4% Fe** in the March quarter. For the first nine months of FY24, ore sales total 3.2 Mwmt, on track with FY24 annual sales guidance of 3.8-4.2 Mwmt.
- **Quarterly ore sales revenue of \$130 million Free on Board (FOB)**, taking ore sales revenue for the nine month period ended 31 March 2024 to \$566 million FOB.
- **Cashflow of \$42 million for the March quarter** comprising operating cashflow of \$41 million from Koolan Island plus interest income of \$5 million, less net corporate, administration and exploration costs of \$4 million.
- **Increased cash and investment reserves of \$430 million** at quarter-end, excluding the Company's share and option holdings in Fenix Resources (total value of approximately \$17 million), compared with \$358 million at the end of the December 2023 quarter.
- **Cash operating costs of \$99/wmt sold** (before royalties and capital projects) at Koolan Island for the quarter, reflecting lower seasonal shipping volumes while still providing a robust **cashflow margin of \$58/wmt sold**. Cash operating costs averaged \$67/wmt FOB for the nine month period to 31 March 2024, in line with annual guidance of \$65-70/wmt FOB (before royalties and capital projects).
- Reported **December 2023 half-year net profit after tax of \$138.7 million**.

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

Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Mount Gibson achieved a solid operating and financial performance in the March quarter and for the first nine months of the 2023/24 financial year. While operations were impacted by typical northern Australian wet season interruptions and a late period shiploading delay, the Koolan Island mine again generated robust cashflows from high-grade ore production, underpinning the further growth of the Company's cash and investment reserves.

"The business shipped 0.7 Mwmt of high-grade iron ore shipped in the quarter, resulting in total sales of 3.2 Mwmt over the first nine months of the financial year. Consequently, Mount Gibson is on track to achieve its FY24 annual shipping guidance of 3.8-4.2 Mwmt and to keep building its capacity for new investment opportunities.

"Mount Gibson's high grade 65% Fe Koolan Island fines products provide operating cashflow protection, realising a premium to benchmark iron ore indices. The price for high grade 65% Fe ores is currently around US\$129 per dry metric tonne on a CFR basis, equating to an attractive Australian dollar price of approximately A\$200/dmt CFR and reflecting a 5% grade-adjusted premium to the 62% Fe benchmark iron ore price."

SUMMARY STATISTICS

	Unit	Mar-2023 Quarter	Jun-2023 Quarter	Sep-2023 Quarter	Dec-2023 Quarter	Mar-2024 Quarter	<i>FY24 Year to Date</i>
Waste mined (incl. rehandle)	kwmt	1,257	968	692	736	425	1,853
Ore mined	kwmt	954	1,121	1,046	904	1,081	3,031
Total material moved	kwmt	2,211	2,089	1,738	1,640	1,506	4,884
Strip ratio	Waste:Ore	1.3	0.9	0.7	0.8	0.4	0.6
Processing throughput	kwmt	950	1,109	1,198	1,096	878	3,172
Fines ore sales	kwmt	664	1,249	1,331	1,113	711	3,155
Lump ore sales	kwmt	-	-	-	81	-	81
Total iron ore sales	kwmt	664	1,249	1,331	1,193	711	3,236
Average grade of iron ore sold	% Fe	65.3%	65.5%	65.5%	65.3%	65.4	65.4
Platts 62% Fe CFR price, average	US\$/dmt	126	111	114	128	124	122
Platts 65% Fe CFR price, average	US\$/dmt	140	124	125	139	136	133
Realised Koolan fines FOB price*	US\$/dmt	121	103	105	128	124	118

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 realised provisional pricing adjustments.

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

OPERATIONS

Safety

Safety is a key behavioural value for Mount Gibson with good safety performance improvements having been achieved by the site operating teams over the last 18 months. The Lost Time Injury Frequency Rate remained at zero incidents per one million manhours worked at the end of the March quarter (rolling 12 months basis), and the rolling 12-month Total Recordable Injury Frequency Rate¹ declined to 5.4 incidents per one million manhours worked, compared with 6.8 at the end of December. This was despite one Restricted Work Injury incurred in the quarter. Work continues on achieving further improvements in safety culture and performance.

Koolan Island

Mining

Mining performance at Koolan Island during the March quarter focused on the lower levels of the western zones and some upper benches in the eastern half of the Main Pit. As previously reported, mining has been re-sequenced to adjust for the central footwall rock slip which occurred in August 2023 as well as tighter working confines and ground support activities on the high grade floor as the pit deepens. Mining was impacted by weather-related interruptions typical for the northern Australia wet season, including several interruptions to personnel flights to and from site. Despite these interruptions, ore production increased to almost 1.1 Mwmt in the quarter, compared with 0.9 Mwmt in the December quarter. Ore production for the nine month period to 31 March 2024 totalled just over 3.0 Mwmt.

The mining waste-to-ore stripping ratio averaged 0.4:1 in the quarter compared with 0.8:1 in the preceding quarter, consistent with the mine plan as the western pit floor approaches its planned final depth. The stripping ratio is a key cost driver for the Koolan Island operation and although it will rise for limited periods

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.

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.

Geotechnical investigation work and wet season monitoring of the area impacted by the August 2023 eastern footwall rockfall has produced generally favourable results. Accordingly, a program of on-wall drilling and bolting remediation, plus the installation of a safety barrier fence, is being designed with the objective of enabling the high grade ore zones directly beneath this area to be extracted in the coming 12-24 months. In the meantime, mining activities are being scheduled to bypass this area and transition to ore benches at higher levels in the eastern half of the pit.

Processing

Processing volumes totalled 0.9 Mwmmt for the quarter compared with almost 1.1 Mwmmt in the prior quarter following the depletion of high-grade ore stockpiles established in prior periods, with processing activities now more closely aligned with ex-pit ore extraction.

A mobile crushing contractor is temporarily on site to supplement the main plant to process harder oversize material from the central and eastern parts of Main Pit until the new tertiary crushing circuit is commissioned. Work on the tertiary unit is progressing with expenditure in the quarter totalling \$2.2 million. The project remains costed at approximately \$8 million, with commissioning now scheduled for mid-year in line with the June quarter shipping schedule.

Shipments

Shipment rates have moderated since the start of 2024 in line with usual seasonal wet season interruptions. Sales for the March quarter totalled 0.7 Mwmmt of high-grade ore, comprising nine shipments at an average grade of 65.4% Fe. Sales for the nine month period to 31 March 2024 totalled 3.2 Mwmmt, tracking in line with guidance for FY24.

As previously communicated to the market, in late March a shiploading interruption to one vessel prevented the departure of the final two shipments planned for the quarter. The vessel was temporarily relocated to nearby anchorage for cargo stowage adjustments, allowing loading of subsequent vessels which have since departed. The restowage adjustments on the delayed vessel are close to completion with departure expected shortly.

Cashflow and operating costs

Operating cashflow from Koolan Island totalled \$41 million for the quarter, from ore sales revenues of \$130 million FOB and other income of \$1 million. Cash outflow items comprised cash operating costs (\$70 million), capital projects and equipment purchases (\$7 million) and royalties (\$13 million).

Cash operating costs, before royalties and capital projects, were \$99/wmt of iron ore sold in the quarter Free on Board (FOB, after shipping freight), reflecting seasonal shipping volumes while still providing the operation with a strong cashflow margin of \$58/wmt sold, after royalties and capital. For the nine month period to 31 March 2024, cash operating costs averaged \$67/wmt FOB (before royalties and capital projects), in line with annual FY24 guidance.

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

Insurance

As previously reported, the Company received a total of \$10 million in insurance proceeds during prior periods to complete its property damage claim resulting from the August 2022 processing plant fire incident at Koolan Island. The Company continues to liaise with its insurers regarding a business interruption claim resulting from the fire incident.

Mid-West

The divestment of most of the Company's former Mid-West iron ore mining and infrastructure assets to Fenix Resources Limited (**Fenix**) was completed in July 2023. Mount Gibson retains an 8.6% shareholding and additional optionholding in Fenix.

Following the Mid-West divestment, Mount Gibson also retained 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 matured in accordance with its terms in late 2023, and the final payment of \$2 million was received in the March 2024 quarter.

Exploration and Business Development

Mount Gibson continues to examine 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 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. During the March quarter a ground moving loop electromagnetic (MLEM) survey was completed at the Baillys prospect near the former Tallering Peak iron ore mine, with results pending. Negotiations are also underway for farm-in arrangements to prospective base metals exploration projects in the WA Goldfields region.

CORPORATE

Realised Pricing and Revenue

The March quarter average Platts 62% Fe CFR fines price (including shipping freight) was US\$124/dmt compared with US\$128/dmt in the preceding quarter, with the price declining towards the end of the quarter to just above US\$100/dmt. The price is currently around US\$117/dmt. The average Platts CFR fines price for high-grade 65% Fe fines in the quarter was US\$136/dmt, being a grade-adjusted 5% premium to the benchmark 62% Fe price, compared with US\$139/dmt and 3% in the prior quarter. The prices realised by Mount Gibson also benefited from the relative weakness of the Australian dollar which averaged A\$1.00/US\$0.658 during the quarter and US\$0.654 for the nine month period.

Shipping freight rates for Panamax vessel journeys from Koolan Island to northern China averaged approximately US\$14/tonne in the March 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 shipment. Reported revenues reflect pricing at time of shipment and will be updated in subsequent periods for actual prices occurring in future months.

Ore sales revenue totalled \$130 million FOB for the quarter, reflecting an average realised fines price of US\$124/dmt FOB, and ore sales revenue for the nine month period totalled \$566 million reflecting an average realised fines price of \$118/dmt FOB. These realised prices are stated on a FOB basis after shipping freight, specification adjustments/penalties and realised provisional pricing adjustments. Based on prevailing spot iron ore prices, Mount Gibson anticipates negative provisional pricing adjustments relating to its March quarter shipments in the region of \$25 million, although the final adjustments will depend on the actual prices in coming months.

Iron Ore and Foreign Exchange Hedging

From time to time Mount Gibson hedges a portion of its forecast iron ore production. At quarter end these hedge contracts covered a total of 35,000 tonnes per month (total 105,000 tonnes) during the June quarter at a fixed price of A\$188 per tonne (CFR, including shipping freight), protecting a substantial cash margin on these hedged tonnages. These contracts had a marked-to-market value of \$3.5 million at quarter end.

Mount Gibson also holds foreign exchange collar contracts covering the conversion of US\$33 million in the June and September quarters, with cap price protection between A\$1.00/US\$0.675 and A\$1.00/US\$0.690 and floor prices (below which Mount Gibson does not participate) at an average of A\$1.00/US\$0.629. These contracts had a marked-to-market value of \$0.1 million at quarter end.

Group Cashflow and Cash Position

The Group's cashflow for the March quarter totalled \$42 million comprising operating cashflow of \$41 million from Koolan Island as noted above, plus interest income (\$5 million), less net corporate, administration and exploration costs (\$4 million).

After positive working capital movements during the quarter, the Company's cash and investments balance increased by \$72 million to \$430 million at 31 March 2024, equivalent to \$0.35 per share, compared with \$358 million at the end of December and \$162 million at the end of June 2023. This excludes the value of Mount Gibson's 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 \$17 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 positioned to achieve its FY24 targets and to generate substantial cashflow over the remaining Koolan Island mine life.

Results for the December 2023 Half-Year

In February, Mount Gibson reported its financial results for the half-year ended 31 December 2023, recording a net profit after tax of \$138.7 million.

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Mount Gibson will host an analysts/institutions teleconference at **11.00am AEDT (9:00am AWST) today, 18 April 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.



Figure 1: Koolan Island Main pit, looking east over the western and central high-grade zones, April 2024.



Figure 2: High-grade ore mining in the upper east end of Main Pit, April 2024.

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.