



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 MARCH 2021 22 April 2021

Key Points (all currency in Australian dollars unless stated otherwise):

- At **Koolan Island** the scheduled overburden stripping program progressed with 4.4 million wet metric tonnes (Mwmt) of material moved during the quarter and the upper footwall ground support and crusher upgrade projects commenced. Mount Gibson continues to schedule a return to high grade sales, lower unit cash costs and strong cashflows during the second half of 2021.
- The **Shine Project** in the Mid-West is advancing ahead of schedule and on budget, with shipments targeted to commence early in the September 2021 quarter.
- **Iron ore sales in the March quarter of 0.23 Mwmt** of Koolan Island fines products reflected the overburden stripping schedule and the heaviest northern wet season experienced under Mount Gibson ownership since 2006/07. Group sales for the nine month year-to-date period total **2.5 Mwmt**, in line with guidance.
- **Group operating cashflow for the quarter of \$3 million**, before investment at Koolan Island of \$35 million in scheduled advanced overburden stripping and \$6 million in capital projects, and Shine development and pre-production costs of \$11 million.
- **Cash and liquid investments of \$412 million** at 31 March 2021, with no borrowings.
- Reflecting inventory build and reduced shipments while the overburden stripping program is undertaken at Koolan Island, Group unit cash costs were **\$135 per wmt sold Free on Board (FOB)** for the quarter before Koolan overburden stripping and capital projects and Shine development costs.
- **Ore sales and unit cash costs remain on track** with guidance for the 2020/21 financial year.
- **Net profit after tax of \$74.5 million** reported for the half-year ended 31 December 2020.

Note: Cashflow and cost information is unaudited, and subject to period-end adjustments. Cash costs are reported FOB and include operating costs, royalties, sustaining capital expenditure and allocated corporate costs but are before Koolan Island overburden stripping investment and capital improvement projects and Shine development and pre-production costs.

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "Mount Gibson progressed the scheduled overburden stripping program at Koolan Island in the quarter with mining rates increasing as the wet season draws to a close. The site is also focused on the key Main Pit footwall support and crusher upgrade projects, before a return to high grade ore sales and significantly increased cashflows later this year.

"In the Mid-West, very good progress was made at the Shine project with mining underway ahead of schedule in March and the establishment of site infrastructure advancing well. We continue to target the first shipment early in the September quarter.

"Strong iron ore prices continue to reduce the net investment required this financial year as these capital projects are progressed, in particular the peak overburden stripping phase at Koolan Island. Group ore sales and cashflows are set to rise in the second half of this year as this overburden removal phase is substantially completed at Koolan Island and as ore sales commence at Shine."

PERFORMANCE AT A GLANCE

	Unit	Mar-2020 Quarter	Jun-2020 Quarter	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	2020/21 Year to Date
Standard DSO product sales	kwmt	439	516	672	396	232	1,300
Low-grade sales	kwmt	587	643	701	534	-	1,234
Total Ore Sales	kwmt	1,026	1,158	1,373	930	232	2,535
Platts 62% Fe CFR price, average	US\$/dmt	89	93	118	134	167	139
Platts 65% Fe CFR price, average	US\$/dmt	104	108	129	146	191	155
Realised Koolan fines FOB price*	US\$/dmt	86	97	104	149	106	119
Realised Mid-West fines FOB price#	US\$/dmt	27	28	30	34	-	30
Realised Mid-West lump FOB price#	US\$/dmt	37	40	41	45	-	43

Minor discrepancies may occur due to rounding.
 * Realised Koolan FOB prices reflect a mix of month of shipping (M), M+1 and M+2 averages, referencing market indices. Realised prices are shown after shipping freight, provisional pricing and specification/penalty adjustments. The realised price for the December 2020 quarter reflects US\$130/dmt for December quarter shipments plus additional amounts relating to provisional pricing adjustments for September 2020 quarter shipments. Realised prices in the March 2021 quarter reflected the temporary lower average grade of 60% Fe at Koolan Island, in line with guidance.
 # Realised Mid-West FOB prices are shown after shipping freight and specification adjustments/penalties. Mid-West sales since the June 2019 quarter comprised only shipments of low-grade cargoes.
 kwmt = thousand wet metric tonnes.
 US\$/dmt = USD per dry metric tonne.
 For the purpose of wet to dry tonnage conversion, moisture content typically averages circa 3% for Koolan Island fines and circa 4% for Mid-West products.

COVID-19 BUSINESS RESPONSE UPDATE

Mount Gibson continues to maintain a range of general site and travel protocols to reduce the risk of virus transmission and stands ready to respond promptly in the event of any reinstatement of government restrictions.

This readiness was demonstrated during the March quarter when the Western Australian Government initiated a brief lockdown over the Perth metropolitan and southern regions of the State following a reported case of community transmission. This included the reinstatement of certain regional travel restrictions, mandatory mask-wearing requirements and site social distancing protocols. These restrictions resulted in negligible disruption to Mount Gibson's activities, and most were lifted in February.

Mount Gibson personnel have responded positively to changing circumstances throughout the pandemic and no instances of COVID-19 have been reported at any Mount Gibson workplaces to date.

OPERATIONS

Sales of fines ore from Koolan Island totalled 0.23 Mwmt in the March quarter as the focus was on the scheduled overburden stripping program. No other sales were undertaken in the period with the Mid-West activities centred on rehabilitation of the Extension Hill site and development of the Shine Project with ore production underway after the end of the quarter and first shipments targeted for early in the September quarter.

Operating statistics are tabulated in Appendix A.

Safety

Mount Gibson is committed to maintaining a safe work environment and safety-oriented culture in which all personnel consider both their own wellbeing and that of their colleagues. Achieving continuous improvement in safety performance is a primary focus of the Company and its personnel.

Safety performance has improved since the start of 2020/21, with the rolling 12-month TRIFR declining to 13.3 incidents per one million man-hours at the end of March, compared with 13.9 at the end of December

2020. The rolling 12-month Lost Time Injury (LTI) Frequency Rate (LTIFR) also declined to 4.0 incidents per one million man-hours at the end of March compared with 5.3 at the end of December, reflecting five LTIs recorded at Koolan Island and one at Extension Hill in the last 12 months. The Company's Geraldton Port team has remained LTI-free since achieving 11 years without recording a LTI in November 2020.

Koolan Island

In the March quarter the Koolan Island operation progressed the scheduled overburden stripping phase required to access significantly greater volumes of higher-grade iron ore in the second half of 2021 and onwards.

Mining and Production

A total of 4.4 Mwmt of ore and waste was mined during the March quarter, compared with 5.4 Mwmt in the prior quarter. The 19% reduction in total material movement reflected significant wet weather impacts which resulted in multiple stoppages. Just over 1,000mm of rain was recorded on Koolan Island in the March quarter, taking total rainfall for the four months of the wet season so far (notionally from 1 December) to just over 1,800mm. This is the highest volume of rain recorded on Koolan Island since Mount Gibson acquired the operation in 2006/07. Extreme rainfall typically causes significant interruptions due to water damage to haul roads and ramps, working faces, localised flooding, poor visibility and is associated with frequent lightning.

Material movement was also impacted by amendments to mine scheduling and sequencing to accommodate continued restricted access in the western end of the Main Pit affected by the previously reported surface rockfall on the upper western end of the Main Pit footwall. As reported in early November, the rockfall did not result in any injuries to personnel or damage to equipment. The seawall side of the Main Pit was not impacted by this event.

During the quarter, the Company completed its detailed assessment of proposed remedial footwall support measures to safely resume mining in the impacted area and determine appropriate adjustments to the mine plan. A specialist contractor has been engaged to undertake the work and mobilisation of personnel and equipment to site commenced in April. Installation activity is commencing with the end of the wet season and is currently expected to cost approximately \$15 million over the course of the next six months. The program will progressively allow mining access to the lower western end of the Main Pit, including high grade ore zones from the end of the September quarter. In the interim, medium grade ore will continue to be sourced from the upper western and eastern ends of the Main Pit.

On the southern side of the Main Pit, in-ground instrumentation continues to demonstrate that the seawall, which incorporates the installed impermeable seepage barrier, is performing to design expectations.

Ore production in the March quarter totalled 260,000 wmt compared with 184,000 wmt in the December quarter. Ore production was less impacted by the wet weather interruptions as all ore was sourced from the upper western end of Main Pit. This area is lower grade than the rest of the Main Pit orebody and will continue to be a key ore source until mining access is regained to the high-grade zones in the floor of the Main Pit.

Crushing volumes were in line with production and sales at 242,000 wmt. The upgrade of the crushing circuit commenced in March and is on track for completion in the September quarter. The total capital investment for the project is estimated at approximately \$20 million, of which \$4 million was invested in the quarter. The upgrade will ensure the crushing circuit is capable of processing the significantly increased high grade ore throughput scheduled to occur during the second half of 2021 and onwards.

Ore shipments were tracking to plan until late March when shipping delays resulted in one vessel departing in early April. Ore sales for the quarter consequently totalled 232,000 wmt, compared with 396,000wmt in the preceding quarter. The average grade of ore sold in the quarter was 60% Fe, in line with guidance. As previously indicated, ore sales in the current half year period are expected to average 58-61% Fe while the geotechnical support program is progressed, during which time ore will primarily be sourced from the upper western and eastern ends of the Main Pit.

Ore sales from Koolan Island for the nine month period to 31 March 2021 totalled 1.3 Mwmt in line with expectations for total Koolan Island ore sales in the 2020/21 financial year of approximately 1.8 Mwmt.

Financial Performance

Koolan Island generated operating cashflow of \$7 million in the March quarter before capitalised overburden stripping investment of \$35 million and capital projects of \$6 million, resulting in net site cash drawdown of \$34 million.

Unit mining and administration costs were \$10 per tonne of material moved in the March quarter, reflecting the wet season rainfall impacts, and year-to-date remain under the targeted level of \$9 per tonne of material moved.

Investment in capitalised overburden stripping was \$35 million for the March quarter and \$99 million for the nine month year-to-date period. As previously disclosed, this investment is anticipated to total approximately \$130 million for the 2020/21 financial year, with an additional \$25-30 million planned to be incurred for various capital improvement projects, including the crusher upgrade and upper footwall ground support program.

The planned elevated stripping phase of the mine, during which overburden movement and operating costs are at their highest and ore production is at its lowest, is scheduled to be substantially completed during the second half of calendar 2021. Thereafter, sales are anticipated to rise and cash costs to decline in step with the significantly reduced waste to ore stripping ratio.

Exploration and Resource Development

Mount Gibson is actively assessing potential opportunities to extend the mine life of the Koolan Island operation. Work has to date focused on optimisation of the Main Pit mine design and is now transitioning to known satellite deposits on the Island. Heritage reviews and surveying commenced in early April with a view to securing approvals to commence drilling in the upcoming 2021 dry season, initially focused on the Mangrove deposit located along strike to the east of the Main Pit.

Mid-West Operations

Shine Project

Development planning for the Shine Iron Ore Project, located approximately 85km north of Extension Hill, was reactivated in late 2020 having been deferred amid deteriorating market conditions in previous years.

In October 2020, Mount Gibson declared initial Ore Reserves¹ of 2.8Mt grading 59.4% Fe in the proposed "Stage 1" pit at Shine. Capital development costs are estimated at \$17-20 million, with forecast production of approximately 1.5 Mwmt/year over an initial two-year period at an average cash operating cost of \$65-70/wmt FOB before royalties.

The improvement in the outlook for iron ore in recent months has significantly enhanced the economics of the Shine Project. Should market conditions remain supportive, there is potential to extend the mine life of the Shine operation for a further two years by proceeding with a "Stage 2" pit, based on Measured and Indicated Mineral Resources within the modelled pit shells. The Shine project has total Measured, Indicated and Inferred Hematite Resources¹ of 10.8Mt grading 58.2% Fe.

Work at the Shine site advanced rapidly in the March quarter with mining commencing ahead of schedule and first ore sales targeted for early in the September 2021 quarter. Progress was not adversely impacted by Cyclone Seroja which traversed the region on 11 April 2021.

Site construction activities and installation of site infrastructure are well advanced. Work on key facilities has been completed, including the site water supply and storage dams, explosives magazine and access road. The establishment of administration, crushing and workshop facilities is proceeding to plan.

Updated mining approvals were received from the relevant State Government authority in early February. Environmental approvals were renewed mid last year.

¹ Refer ASX release dated 9 October 2020, and Competent Person attributions at the end of this report.

Blasting and mining commenced in March, with approximately 73,000t of overburden mined by the end of the quarter. As previously disclosed, approximately \$15 million will be invested in pre-production activities in the June 2021 quarter.

The Company continues to progress outstanding key commercial arrangements, including potential alternative transport options with third parties. The base development case assumes ore is hauled approximately 300km by road from the mine site to the Company's established storage and export facilities at Geraldton Port.

Discussions are also underway with prospective offtake customers. Consistent with its prior Mid-West operations, Mount Gibson intends to secure market-reflective offtake agreements for a substantial proportion of Shine sales in the first year and also retain a component for periodic spot sales into the global iron ore market.

Expenditure on the project totalled \$11 million in the March quarter, taking the total capital development investment to date to \$12 million.

Extension Hill

The low-grade sales program from Extension Hill was successfully completed in late December 2020 and rehabilitation of the Extension Hill site is now well advanced consistent with the mine closure plan, while redeployment of site personnel and equipment to the Shine project has been undertaken where appropriate.

The accounting provision for rehabilitation for the Extension Hill mine site at 31 December 2020 was \$9 million and, depending on the timing of plant and infrastructure removal, it is expected that much of this amount will be incurred in the next 12 months. The Company has also received several expressions of interest regarding the site and its various operating and infrastructure assets which could offset rehabilitation costs.

Exploration and Business Development

Mount Gibson is actively seeking potential resources development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy is primarily targeting opportunities in the bulk commodities and base metals sectors.

Pursuant to this strategy, Mount Gibson has invested in minority equity positions in several junior development and operating companies where it is considered that future financing or strategic opportunities may arise. These investments have a current market value of approximately \$12 million.

In addition, the Company continues to progress negotiations regarding greenfields and brownfields exploration opportunities for base metals deposits in the Mid-West region.

CORPORATE

Realised Pricing and Revenue

Ore sales revenue for all products sold totalled \$30 million Free on Board (FOB) in the March quarter, and \$269 million FOB for the nine month year-to-date period. As the majority of Koolan Island's sale prices reflect future month averages, revenue figures remain subject to provisional pricing adjustments until finalised 2-3 months after the shipment date. Australian-dollar revenue also reflected the A\$/US\$ exchange rate, with the A\$ averaging US\$0.773 in the March quarter, higher than the US\$0.730 average in the preceding quarter.

Iron ore prices remained at elevated levels throughout the quarter, reflecting buoyant and sustained Chinese demand and continued supply-side constraints. The March quarter average Platts CFR price (which includes the cost of shipping) for 62% Fe fines delivered to northern China was US\$167 per dry metric tonne (dmt) compared with US\$134/dmt in the preceding quarter.

During the quarter, high-grade DSO fines from Koolan Island achieved an average realised price of US\$106/dmt FOB after penalties, compared with US\$149/dmt FOB in the prior quarter, although the prior quarter's figure was heavily influenced by additional amounts relating to significant positive provisional pricing adjustments for September 2020 quarter shipments. The realised price in the March 2021 quarter reflected the lower average sales grade of 60% Fe for Koolan Island fines, this being a function of the current overburden advance stripping program. As previously disclosed, Koolan Island fines are expected to average 58-61% in the current half year period while production is sourced from the more variable material in the upper west end of Main Pit. Mining access is expected to be regained to the high-grade zones of Main Pit, where the Ore Reserve grade is over 65% Fe, during the second half of 2021.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing market indices as well as Panamax shipping freight rates (averaging around US\$14 per tonne shipped in the quarter, up from US\$10 per tonne in the prior quarter), specification adjustments and penalties for impurities. Provisional prices are recorded following shipment departure and final pricing typically reflects monthly averages either one or two months after the month of shipment.

Cashflow and Cash Position

The Company's cash and liquid investments totalled \$412 million at 31 March 2021, compared with \$436 million at 31 December 2020.

Cashflow for the March quarter was a net outflow of \$49 million comprising an outflow from Koolan Island of \$34 million (being operating cashflow of \$7 million less \$35 million of advance overburden stripping and \$6 million of capital projects), Shine development costs of \$11 million, Extension Hill closure and rehabilitation costs of \$2 million (net of the historic rail refund of \$2 million), interest and other income of \$2 million, and corporate and administration costs of \$4 million (including realised foreign exchange gains and losses). After working capital inflows of \$25 million, reflecting the timing of receipts and payments, this resulted in a reduction of \$24 million in the Company's cash and investment balance over March quarter.

Cost Performance

Reflecting inventory build and reduced shipment volumes while the overburden stripping program is undertaken, Group unit cash costs averaged \$135/wmt FOB in the March quarter before Koolan Island overburden stripping investment (\$35 million) and capital projects (\$6 million), and Shine development costs (\$11 million).

At Koolan Island, site unit cash costs were \$102/wmt FOB in the quarter (before overburden stripping investment and capital projects). Site unit cash costs will align with waste stripping volumes over the coming year and reduce over the life of the mine as sales volumes increase and the waste/ore strip ratio progressively decreases.

Sales and Cost Guidance for 2020/21

The Company's focus in 2020/21 is on increased mining movements at Koolan Island to substantially complete the planned open pit overburden stripping phase ahead of ore shipment levels rising significantly from later this year onwards. In the Mid-West, the focus is on bringing the Shine project into production as quickly as possible now that low-grade sources from Extension Hill have been depleted.

In February 2021, Mount Gibson reiterated group guidance for total ore sales of 2.8-3.3 Mwmt for the 2020/21 year. This comprises the 1.2 Mwmt of material sold from the now-completed low-grade sales program in the Mid-West, with the remainder comprising Koolan Island fines products, which are expected to total approximately 1.8 Mwmt.

Group cash cost guidance for the 2020/21 financial year is unchanged at \$65-70/wmt FOB. This cost guidance is before key capital estimates for Shine Project development and pre-production costs (together \$30 million) and Koolan Island capitalised waste stripping (\$130 million) and other improvement projects (\$25-30 million). Within this Group guidance, Koolan Island site cash costs are anticipated to average \$70-75/wmt FOB for the 2020/21 financial year excluding the capital projects mentioned above.

Group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs, and are before capitalised waste stripping, capital upgrade and development projects. Site cash costs are reported FOB on a consistent basis and include royalties, sustaining capital expenditure and allocated corporate costs.

Once the peak overburden stripping phase at Koolan Island is substantially completed during the second half of calendar 2021, unit cash costs for Koolan Island and the Group are projected to fall in line with increased ore production and sales.

Financial Results for December Half Year

On 24 February 2021, Mount Gibson reported a net profit after tax of \$74.5 million for the half-year ended 31 December 2020, representing an increase of 67% compared with the prior corresponding half-year period, on total iron ore sales revenue of \$240.7 million FOB.

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Mount Gibson will host an analysts/institutions teleconference at **11:00am AEDT (9:00am WST)** on **Thursday 22 April 2021**. Investors will be able to listen to the teleconference by dialling **1300 278 865** immediately prior to the scheduled start time and entering the access code **18314558#** 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 1300 289 804 (Australian callers) or +613 8788 6028 (overseas callers).



Figure 1: Koolan Island Main Pit, looking west, March 2021.



Figure 2: Cleared Shine open pit area, looking north, February 2021.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Mar-2020 Quarter	Jun-2020 Quarter	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	2020/21 Year to Date
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	3,113	3,053	4,544	5,259	4,182	13,986
Ore mined	545	805	672	184	260	1,117
Ore crushed	432	556	683	285	242	1,211
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	439	516	672	396	232	1,300
Total	439	516	672	396	232	1,300
MID-WEST						
Mining & Crushing						
Waste mined	-	-	-	-	73	73
Ore mined [^]	-	-	155	423	-	578
Product crushed#	484	265	680	324	-	1,004
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	-	-	-	-	-	-
Low-grade Lump	233	232	416	472	-	888
Low-grade Fines	354	410	285	61	-	346
Total	587	643	701	534	-	1,234
CONSOLIDATED DATA						
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	439	516	672	396	232	1,300
Low-grade Lump	233	232	416	472	-	888
Low-grade Fines	354	410	285	61	-	346
Total	1,026	1,158	1,373	930	232	2,535

kwmt = thousand wet metric tonnes.

* Mount Gibson ships in Panamax vessels which contain an average of 60,000 wmt from Geraldton Port in the Mid-West, and 72,000-77,000 wmt from Koolan Island.

[^] Ore mined at Extension Hill in the 2020/21 year refers to low-grade detrital gravels recovered in the final months of the low-grade sales program.

Crushed material to the end of December 2020 comprised only low-grade material crushed at Extension Hill.

Minor discrepancies may appear due to rounding.

Competent Person Statements

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 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.