



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022 30 January 2023

- **High-grade iron ore (65% Fe) sales increased 47%** from the preceding quarter to **0.7 million wet metric tonnes (Mwmt)**, taking sales for the half-year to 1.1 Mwmt.
- **Iron ore mining at Koolan Island continues to increase, up 10% to 1.0 Mwmt** for the quarter. Significant mined ore stockpiles have been built for future processing, totalling circa 0.8 Mwmt at quarter end. The mine's waste-to-ore stripping ratio reduced in line with plan to 3:1 for the quarter (3.5:1 for the December half-year) and is expected to average approximately 1:1 in the current June half-year.
- **Crusher repairs progressed in the quarter** following the August fire incident, with interim processing capacity achieving a baseline of three Panamax shipments per month. Completion of the repairs is **on track for the current March quarter** despite transport logistics delays arising from the extreme mainland flooding events in the Kimberley region in early January.
- **Iron ore sales revenue of \$90 million** Free on Board (FOB, after shipping freight) for the quarter and \$153 million FOB for the half-year. The average realised price was \$139 (US\$92) FOB per dry metric tonne (dmt) sold in the quarter, inclusive of positive provisional pricing adjustments arising from iron ore price increases since December onwards.
- **Koolan Island unit cash operating costs of \$89/wmt sold FOB** before inventory build and royalties. As previously guided, unit costs are temporarily elevated reflecting the interim crushing arrangements as the processing plant repairs are undertaken, and the resultant lower shipping volumes. Volumes and unit costs will improve over the June 2023 half-year as the plant repairs are completed.
- **Net cash operating outflow of \$7 million** in the December quarter, significantly improved from the preceding quarter and reflecting the ongoing ore stockpile build, interim crushing arrangements and processing plant repairs. The mined ore stockpiles have a current market value in excess of \$100 million once processed. After working capital movements and a drawdown of \$25 million on the Company's existing revolving credit facility, **cash and investment reserves totalled \$41 million** at 31 December 2022.
- **Heavy rainfalls and flooding in the Kimberley region** at the end of the quarter have impacted road and marine transport logistics for Koolan Island. Site operations have largely continued to plan, although some near-term shipping delays are expected. Mount Gibson is assisting local emergency relief efforts in the region and has donated to the Perth Lord Mayor's Disaster Relief Fund.
- Allowing for the impacts of transport logistics disruptions, Mount Gibson presently anticipates achieving around the **lower end of existing ore sales guidance of 3.2-3.7 Mwmt** for the 2022/23 financial year, with the balance to be promptly recouped in the following financial year, and around the **upper end of existing cash operating cost guidance of \$70-75/wmt FOB** (before royalties).

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

QUARTERLY REPORT



Mount Gibson Iron

Comment

Mount Gibson Chief Executive Officer Peter Kerr said: "Performance during the December quarter reflected a significant operational and financial improvement on the previous period as we pursued interim crushing arrangements while repairs were advanced in the processing plant following the August fire incident. This has laid the foundations for a stronger second half despite delays to completion of the crusher repair works arising from the impacts on transport logistics of heavy rainfalls and flooding on the Kimberley mainland in late December and early January.

"Mining performance at Koolan Island improved during the quarter with sales of high-grade 65% Fe iron ore increasing from the prior quarter by almost half, and substantial mined ore stockpiles accumulated for processing once plant repairs are completed in the current March quarter.

"The Company's interim processing arrangements utilising the undamaged primary components of the crushing plant enabled nine high grade 65% Fe shipments to be completed during the quarter at the targeted average rate of three shipments per month.

"Positively, we are also pleased to have seen a steady improvement in iron ore prices since late November as China has moved toward easing its long-standing COVID-19 restrictions and fostering economic growth. Consequently, Mount Gibson looks forward to increasing its shipment rates at higher realised prices in the coming year.

"Mount Gibson expresses its support for all those in the Kimberley impacted by the devastating recent flooding events. We continue to work directly with Western Australia's Department of Fire and Emergency Services which is leading the region's recovery efforts, notably with regard to assisting delivery of critical provisions to the Derby community. Mount Gibson has also donated to flood relief through the Perth Lord Mayor's Disaster Relief Fund."

SHIPMENTS AT A GLANCE

	Unit	Dec-2021 Quarter	Mar-2022 Quarter	Jun-2022 Quarter	Sep-2022 Quarter	Dec-2022 Quarter	2022/23 Year to Date
Lump and fines sales	kwmt	196	238	713	451	665	1,116
Low-grade fines sales	kwmt	60	-	-	-	-	-
Total iron ore sales	kwmt	256	238	713	451	665	1,116
Average grade of iron ore sold	% Fe	58.3%	62.8%	63.6%	65.0%	65.0%	65.0%
Platts 62% Fe CFR price, average	US\$/dmt	110	142	138	103	99	101
Platts 65% Fe CFR price, average	US\$/dmt	129	170	160	115	111	113
Realised Koolan fines FOB price*	US\$/dmt	**	81	93	96	92	94

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 excluded).

* Realised FOB prices are shown after shipping freight, specification adjustments/penalties and provisional pricing adjustments.

** Realised Koolan prices for the December 2021 quarter were minimal reflecting the temporary non-core low grade and higher impurity ores extracted as part of the major waste stripping program, and these are excluded from the annual prices.

For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 2-3% for Koolan Island ores.

OPERATIONS

Safety

The Company's operating teams continued their focus on improvement in safety performance. Two reportable injuries were incurred in the December quarter. The Lost Time Injury Frequency Rate (LTIFR) increased to 2.2 incidents per one million manhours worked at the end of the quarter (rolling 12 months basis), from 1.4 at the end of the September quarter. The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) increased to 9.0 incidents per one million manhours worked at the end of the quarter, compared with 8.5 at the end of September, and remains significantly lower than the figure of 11.4 reported at the end of the 2021/22 financial year. 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 ensure Mount Gibson's people are not injured in their workplaces.

COVID-19 Response

Mount Gibson continued to avoid significant disruption from COVID during the December quarter, with minimal COVID-related absenteeism. Mount Gibson continues to evolve its approach to COVID management in step with changing circumstances and regulations.

Koolan Island

Significant operational progress continued to be achieved at Koolan Island in the December quarter as the benefits of the prior completion of the major overburden stripping and upper footwall ground support programs took full effect. This has facilitated substantially increased high-grade iron ore production. Mining and other operational activities continued to improve as planned. While processing remains restricted as repairs to the product screen area within the main crushing circuit damaged by fire in August are completed, interim modifications to the plant have enabled the Company to achieve a baseline of three shipments per month during this period. Maintaining high levels of ore production from the Main Pit has also enabled substantial mined ore stockpiles to be assembled to facilitate rapid catch-up of shipments in 2023 as processing capacity returns.

Operating statistics are tabulated in Appendix A.

Mining activities

Mining activities continued to improve over the December quarter in line with the mine plan. Ore production increased as access to high-grade zones within the Main Pit expanded and the waste-to-ore stripping ratio declined as scheduled. Approximately 1.0 Mwmt of high-grade iron ore was mined in the December quarter, 10% more than the September quarter, resulting in considerable mined ore stockpiles totalling approximately 0.8 Mwmt being established.

Total material movement was 4.0 Mwmt of waste and ore, compared with 4.6 Mwmt in the prior quarter, reflecting the reducing stripping ratio. The waste to ore stripping ratio is a key driver of operating costs at Koolan Island and continued to decline as planned, to average 3:1 for the quarter from 4:1 in the prior quarter. The average for the December half-year was 3.5:1. In the June 2023 half-year, the stripping ratio is expected to decline further to average approximately 1:1, and the average stripping ratio from mid-2023 forward is anticipated to be circa 1.2:1.

Processing and fire recovery progress

Repair works progressed throughout the quarter on the product screen section of the main crushing plant which was damaged in the August 2022 fire incident, and concurrent interim crushing arrangements were implemented utilising the unaffected primary sections of the plant. Successful optimisation work delivered better than anticipated fines ore recovery enabling the Company to achieve the targeted baseline of three shipments per month. Ore tonnage processed in the quarter totalled just over 0.9 Mwmt (including rehandle).

The processing plant repairs are scheduled to be completed in the current March quarter, albeit with some delays to the original plan given the transport and logistics impacts of the recent Kimberley flooding events (refer comments under Outlook below). These floods have caused major supply chain disruptions across the region, in particular to road transport between Broome and Derby and the barging of equipment and supplies to Koolan Island.

Once the main plant is fully operational, the shipping rate is scheduled to increase to at least 4-5 shipments per month. Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000-80,000 tonnes of iron ore.

The Company has also engaged a mobile crushing contractor to work alongside the main processing plant in order to accelerate the recoupment of shipment volumes deferred due to the August fire incident. Mobilisation of the contractor's crushing equipment has also been adversely impacted by the recent Kimberley flooding events, and this equipment is now expected to be operational by March.

Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations and has submitted its initial interim property damage claim to insurers. The first progress payment of approximately \$2.6 million is anticipated shortly and has not been included in the December quarter cashflows.

Sales

Sales for the December quarter totalled 0.67 Mwmt comprising nine shipments of high-grade iron ore, an increase of 47% over the prior quarter. The average grade of all shipments was 65.0% Fe and future shipments are expected to be maintained around this level. Sales for the half year period totalled 1.12 Mwmt at an average grade of 65% Fe.

Cashflow and operating costs

The operating cash outflow from the Koolan Island operation for the quarter was \$3 million, being a significant improvement on the previous quarter and reflecting the continued strategy of mining in accordance with the existing plan to build substantial high-grade iron ore inventories while the processing plant repairs are undertaken. As noted, the mined ore stockpiles have a current market value in excess of \$100 million once processed.

Revenues for the quarter totalled \$90 million, with the key outflow items being cash operating and sustaining capital costs (\$58 million), the continued build of high-grade iron ore inventories (\$20 million), royalties (\$9 million), crusher repair costs (\$5 million) and minor capital projects (\$1 million).

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

Koolan Island's unit cash operating costs were \$89/wmt sold FOB in the quarter before inventory build and royalties, compared with \$67/wmt FOB in the September quarter, taking unit cash operating costs to \$80/wmt for the half-year period. As previously guided, unit cash costs are temporarily elevated reflecting the interim crushing arrangements as the processing plant repairs are undertaken, and the associated lower shipping volumes. Volumes and unit costs will improve over the June 2023 half-year as the plant repairs are completed.

Mid-West

Mount Gibson made the decision to suspend operations at the Shine iron ore mine in response to the rapid deterioration in market conditions in late 2021. The site remains on low-cost care and maintenance.

The Company continues to receive and consider external enquiries relating to its Mid-West infrastructure assets, in particular key rail sidings and port storage sheds, and receives income from third parties for usage arrangements. Discussions remain in progress regarding further arrangements for utilisation of spare capacity within those infrastructure assets.

In addition, Mount Gibson continues to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder based upon the usage by third parties of specific segments of the railway network.

This refund is calculated at various volume-related rates and capped at a total of approximately \$35 million (subject to indexation) and a time limit expiring in 2031. The entitlement accrues at a rate of approximately \$2 million per quarter, with payments made every six months. Mount Gibson has received total cumulative proceeds to date of approximately \$28 million.

Exploration and Business Development

Mount Gibson continues to seek 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 \$6 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 it has entered into a farm-in agreement covering prospective exploration tenure at the Butcher's Track prospect north of the Company's Talling Peak mine site, approximately 160km northeast of Geraldton.

During the quarter, the Company secured heritage survey clearances for greenfield exploration activities at Butcher's Track and undertook further reconnaissance mapping and sampling activities. Subsequent to the end of the quarter, a program of drilling commenced for prospects near Talling Peak and Butcher's Track. The total drilling program involves over 4,000 metres of reverse circulation (RC) and diamond core drilling.

CORPORATE

Realised Pricing and Revenue

The December quarter average Platts 62% Fe CFR price was US\$99/dmt compared with US\$103/dmt in the preceding quarter to average US\$101/dmt CFR for the December half-year. The average Platts CFR price for high-grade 65% Fe fines was US\$111/dmt for the quarter, being a grade-adjusted 7% premium to the benchmark 62% Fe price, and averaged US\$113/dmt for the December half-year. The lower average prices were partly offset by the weaker value of the Australian dollar, which averaged US\$0.657 in the December quarter compared with US\$0.684 in the prior quarter, for a half year average of US\$0.670.

After touching a three year low in November, iron ore prices have since risen to recent levels above US\$120/dmt for 62% Fe fines ores and approximately US\$140/dmt for 65% Fe fines ores as China has begun easing COVID-19 restrictions. Market commentary is increasingly positive with regard to the medium term outlook for iron ore demand.

Shipping freight rates for journeys from Koolan Island to northern China also further declined over the quarter to around US\$12-13/tonne by quarter end, compared with US\$15-19/tonne in the preceding quarter.

Mount Gibson completed nine shipments of Koolan Island iron ore fines averaging 65.0% Fe in the quarter, reflecting consistent mining access to the high-grade Main Pit orebody. Product grades are expected to remain around this level going forward.

Ore sales revenue totalled \$90 million Free on Board (FOB, after shipping freight) for the quarter and \$153 million FOB for the December half-year, reflecting average realised prices of US\$92/dmt FOB and US\$94/dmt FOB for the quarter and half-year respectively.

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.

Cashflow and Cash Position

The Group's net operating cash outflow for the December quarter totalled \$7 million comprising the \$3 million cash outflow from Koolan Island as noted above, a net inflow from the Mid-West operations (\$1 million) and corporate costs and realised foreign exchange and financial asset movements (\$5 million). After a drawdown of \$25 million on the Company's existing revolving credit facility and working capital movements (\$37 million), including substantial upward provisional pricing adjustments to be received in future months, the Company's cash and investment balance was \$41 million at the end of the quarter.

Outlook

Interim processing arrangements at Koolan Island have enabled Mount Gibson to achieve a targeted baseline rate of three shipments per month while repair works are undertaken to the processing plant. Mining continues in line with plan enabling the continued build of substantial high grade iron ore stockpiles available for processing and sale once the plant repairs are completed. In addition, a mobile crushing contractor has been engaged and is being mobilised to site to supplement the main plant and accelerate the targeted recovery in shipping rates.

The recent cyclonic rains and flooding events in the Kimberley have caused damage to key mainland transportation routes and, as a result, Mount Gibson will incur some near-term delays for delivery of materials and equipment to Koolan Island required for completion of the crusher repairs and commencement of mobile crushing activities. Crusher repairs are still expected to be completed during the current March quarter, following which Mount Gibson expects strong cashflow generation as the substantial high-grade ore stockpiles are processed and shipped.

Allowing for the impacts of disruption to transport logistics from the recent Kimberley flooding events, Mount Gibson presently anticipates achieving ore sales around the lower end of its existing guidance of 3.2-3.7 Mwmt for the 2022/23 financial year, with the balance to be promptly recouped in the following financial year, and for unit cash operating costs to be around the upper end of existing guidance of \$70-75/wmt FOB (before royalties). Further updates will be provided in due course.

Annual General Meeting

Mount Gibson held its Annual General Meeting in Perth on 9 November 2022. All resolutions were passed.

Financial Results for the December 2022 Half-Year

Mount Gibson expects to release its results for the half year ended 31 December 2022 on 22 February 2023.

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



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



Figure 2: Ore mining in the upper eastern zone of the Koolan Island Main Pit, looking west, January 2023.



Figure 3: Koolan Island crushing plant and shiploading activities, December 2022.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Dec-2021 Quarter	Mar-2022 Quarter	Jun-2022 Quarter	Sep-2022 Quarter	Dec-2022 Quarter	2022/23 YTD
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined (incl. rehandle)	4,303	3,411	3,728	3,647	3,015	6,662
Ore mined	158	325	662	915	1,005	1,921
Ore crushed	201	258	645	607	936	1,543
Shipping/Sales						
Fines	-	238	713	451	665	1,116
Low-grade Fines	80	-	-	-	-	-
Total	80	238	713	451	665	1,116
MID-WEST (SHINE)						
Mining & Crushing						
Waste mined	216	-	-	-	-	-
Ore mined	78	-	-	-	-	-
Product crushed	118	-	-	-	-	-
Shipping/Sales						
Lump	59	-	-	-	-	-
Fines	57	-	-	-	-	-
Low-grade Fines	60	-	-	-	-	-
Total	175	-	-	-	-	-
CONSOLIDATED DATA						
Shipping/Sales						
Lump	59	-	-	-	-	-
Fines	57	238	713	451	665	1,116
Low-grade Fines	140	-	-	-	-	-
Total	256	238	713	451	665	1,116

- kwmt = thousand wet metric tonnes.
- 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.