

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 JUNE 2023 19 July 2023

- **Strong finish to FY23 as the operating turnaround accelerated at the Koolan Island iron ore mine** with record high grade shipping rates achieved in the June quarter.
- **Iron ore sales of 1.25 million wet metric tonnes (Mwmt) in the June quarter**, ahead of forecast with 17 shipments completed. The average grade of shipments in the quarter was 65.5% Fe. **FY23 full year sales exceeded guidance at 3.0 Mwmt** at an average grade of 65.3% Fe, confirming Koolan Island as Australia's highest grade direct shipping iron ore mining operation.
- **Cashflow of \$89 million for the June quarter** reflecting ore sales revenues of \$186 million Free on Board (FOB, after shipping freight) at an average realised price of US\$103 per dry metric tonne (dmt) FOB, cash costs of \$77 million (equivalent to \$62 per wmt shipped), processing plant repairs and equipment purchases of \$9 million, royalties of \$18 million, other revenues (including insurance receipts) of \$7 million, Mid-West cashflows of \$2 million and net corporate and exploration costs of \$2 million.
- **Significantly increased cash and investment reserves of \$162 million** at 30 June 2023, after full repayment of the \$25 million corporate credit facility, reflecting the strong operational and cashflow turnaround at Koolan Island.
- **Mount Gibson to become major shareholder in Fenix Resources Ltd** via the divestment of its surplus Mid-West iron ore and infrastructure assets for total cash and equity consideration in excess of \$25 million. The transaction is expected to complete shortly.
- **Production and shipping rates are expected to remain sufficient to attain sales of circa 4 Mwmt per year** from the Koolan Island operation. Guidance will be provided with the Company's FY23 financial results in August. Based on the forecast shipping profile, the business is well positioned to achieve significant operating cashflows going forward.

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: "Our strong performance in the June quarter has underlined the strength of the ongoing operational improvement at Koolan Island, which delivered record quarterly high grade sales volumes, reduced costs and significant operating cash flows.

"We completed seventeen shipments in the quarter, including seven in June, lifting sales in the period to 1.25 Mwmt, and full year sales above guidance to just over 3 Mwmt. The resulting cashflow almost doubled our reported cash and investment reserves to \$162 million by quarter end, even after full repayment of \$25 million previously drawn from our corporate credit facility. We now look forward to continuing our mining and shipping performance and generating substantial cashflows in the coming year, giving Mount Gibson the capacity to invest in new resource investment opportunities.

"At the same time, our recent agreement to consolidate our Mid-West assets with those of Fenix Resources captures significant value up-front in addition to providing ongoing exposure to growing bulk commodity exports in the region."

SUMMARY STATISTICS

	Unit	Jun-2022 Quarter	Sep-2022 Quarter	Dec-2022 Quarter	Mar-2023 Quarter	Jun-2023 Quarter	2022/23 Year
Waste mined (incl. rehandle)	kwmt	3,728	3,647	3,015	1,257	968	8,886
Ore mined	kwmt	662	915	1,005	954	1,121	3,996
Total material moved	kwmt	4,390	4,562	4,020	2,211	2,089	12,882
Strip ratio	Waste:Ore	5.6	4.0	3.0	1.3	0.9	2.2
Processing throughput	kwmt	645	607	936	950	1,109	3,603
Fines ore sales	kwmt	713	451	665	664	1,249	3,028
Lump ore sales	kwmt	-	-	-	-	-	-
Total iron ore sales	kwmt	713	451	665	664	1,249	3,028
Average grade of iron ore sold	% Fe	63.6%	65.0%	65.0%	65.3%	65.5%	65.3%
Platts 62% Fe CFR price, average	US\$/dmt	138	103	99	126	111	110
Platts 65% Fe CFR price, average	US\$/dmt	160	115	111	140	124	123
Realised Koolan fines FOB price*	US\$/dmt	93	96	92	121	103	103

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 (LTIFR) reduced to 0.7 incidents per one million manhours worked at the end of the June quarter (rolling 12 months basis), down from 1.5 at the end of the March quarter. The rolling 12-month Total Recordable Injury Frequency Rate (**TRIFR**) also reduced significantly to 5.2 incidents per one million manhours worked at the end of the quarter, compared with 5.9 at the end of March. 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 prevent injury to Mount Gibson's people in their workplaces.

Koolan Island

Mining

Mining performance at Koolan Island progressed in line with plan following the end of the Kimberley wet season in April. High grade iron ore extraction from the Main Pit totalled just over 1.1 Mwmt in the quarter. Ore mined for FY23 totalled 4.0 Mwmt.

The mining waste-to-ore stripping ratio also continued to reduce as expected, averaging 1.1:1 in the June half year, compared with over 3.5:1 in the December half year period. The stripping ratio is a key cost driver for the Koolan Island operation and is expected to remain at low average rates of approximately 1.2:1 over the remaining mine life.

High-grade ore stockpiles available for crushing totalled 1.1 Mwmt at the end of June, down slightly from 1.2 Mwmt at the end of March as crushing volumes increased following the completion of main plant repairs and the commencement of supplemental mobile contract crushing.

This stockpiled material has a current market value in excess of \$150 million once it is processed for shipment.

Processing

As previously reported, repairs to the crushing plant following the August 2022 fire incident were completed in April and have enabled a rapid ramp-up of crushing volumes through the main plant. A mobile crushing contractor is supplementing the main plant to accelerate processing of the site's substantial high grade ore stockpiles. Consequently, total throughput for the quarter increased substantially to 1.1 Mwmt.

In relation to the August 2022 processing plant fire incident, Mount Gibson claimed on its property damage and business interruption insurance cover for the Koolan Island operations. Up to the end of the quarter, progress payments totalling approximately \$8 million had been received from the Company's insurers, with a final property damage claim now being assembled. The Company is also liaising with its insurers regarding a potential business interruption claim resulting from the fire, however the timing, likelihood and potential quantum of such a claim, if any, remains uncertain at this time.

Shipments

Sales for the June quarter totalled a record 1.25 Mwmt of high-grade ore, comprising 17 shipments, including seven shipments in the month of June. The average grade of the June quarter shipments was 65.5% Fe. As flagged in the Company's June operations update, ore sales for FY23 subsequently exceeded guidance and totalled just over 3.0 Mwmt at an average grade of 65.3% Fe.

Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000-80,000 tonnes of iron ore.

In the coming FY24 financial year, Mount Gibson is targeting 5-6 shipments per month during the dry season period (September, December and June quarters) and at least 4 shipments per month in the Kimberley wet season period (March quarter). These shipping rates are sufficient for Mount Gibson to target annual sales of circa 4 Mwmt per year going forward. Detailed production guidance will be provided in upcoming releases.

Cashflow and operating costs

Operating cashflow from the Koolan Island operation totalled \$89 million for the quarter, a substantial increase on the figure of \$31 million achieved in the previous quarter.

Revenues in the quarter totalled \$186 million FOB from ore sales plus \$7 million in other income related primarily to insurance receipts and surplus asset sales. Cash outflow items in the quarter comprised cash costs (\$77 million), processing plant repairs and equipment purchases (\$9 million) and royalties (\$18 million).

Koolan Island's unit cash costs – including operating and sustaining capital expenditure - were in line with target at \$62/wmt FOB in the quarter, before royalties, compared with \$84/wmt FOB before inventory build and royalties in the prior quarter. Unit cash costs for the full FY23 financial year were \$77/wmt shipped FOB before net inventory build of \$71 million, processing plant repairs and equipment purchases of \$18 million, and royalties of \$43 million.

Further comments regarding revenue and realised pricing are contained in the Corporate section below.

Mid-West

During the June quarter Mount Gibson continued to operate its infrastructure assets and receive income from third parties for ore storage and handling arrangements through the Company's shed facilities in Geraldton Port.

In addition, Mount Gibson continues to receive a partial refund of historical rail access charges based upon the usage by third parties of specific segments of the Mid-West 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 \$33 million and expects to receive the final payment in the current 2023/24 financial year.

Cashflow from the Mid-West business totalled \$2 million during the quarter.

Mid-West Transaction

At the end of the June quarter, Mount Gibson announced it had reached agreement to divest its Mid-West iron ore mining and infrastructure assets to fellow Mid-West producer Fenix Resources Limited (**Fenix**) for total consideration of at least \$25 million, comprising \$10 million cash and 60 million Fenix shares, in addition to 25 million Fenix options (exercisable in two tranches of 12.5 million options at \$0.25 and \$0.30 each respectively within five years of settlement).

On settlement, Mount Gibson will hold approximately 8.6% of Fenix, making it the Company's single largest shareholder. Mount Gibson will also have the right, but not the obligation, to nominate a non-executive director to the Fenix Board should its equity interest increase to at least 10%.

The assets being sold to Fenix comprise Mount Gibson's two bulk materials storage sheds at Geraldton Port, rail sidings at Perenjori and Mullewa, various items of plant and equipment, and Mount Gibson's iron ore mining rights and other obligations at the currently suspended Shine iron ore mine near Yalgoo and the closed hematite iron ore mine at Extension Hill near Perenjori.

The transaction is structured as an asset sale and purchase, with Fenix acquiring land and tenement titles, mining rights, and plant and equipment, along with the rehabilitation and other contractual obligations associated with these assets. The rehabilitation obligations which will be assumed by Fenix across the assets being divested are currently provisioned on Mount Gibson's books for approximately \$9 million.

Fenix has also undertaken to make offers of employment to Mount Gibson's existing Geraldton Port-based employees who operate Mount Gibson's storage shed facilities.

Mount Gibson will retain its mining and exploration interests in the historic Tallering Peak mining area, to the north of which it continues to explore prospective ground for base metals mineralisation, together with its Fields Find interest. Mount Gibson will also retain its rights to the historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network.

The combination of Mount Gibson's remaining Mid-West iron ore and port assets within Fenix's vertically integrated mining and bulk road haulage business creates an innovative mining and logistics business that will have increased annual production for the benefit of shareholders of both companies, and support the ongoing development of mining production and bulk mineral exports in the Mid-West region.

The transaction represents an opportunity for Mount Gibson to realise value for assets which are not presently reflected in the Company's share price and to participate via a direct equity interest in an exciting and expanded high-grade Mid-West iron ore and bulk materials logistics business.

The transaction is expected to complete shortly assuming satisfaction of consents and conditions in respect of third party interests.

Full details of the consideration and conditions are detailed in the announcement dated 29 June 2023.

Exploration and Business Development

Mount Gibson continues to seek and review 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 \$3 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 Tallering Peak mine site, approximately 160km northeast of Geraldton. During the quarter the Company completed drilling programs at prospects near Tallering Peak and Butcher's Track to confirm geological settings and test identified electromagnetic anomalies. Assessment and planning to determine the next stage of activity is underway.

CORPORATE

Realised Pricing and Revenue

The June quarter average Platts 62% Fe CFR price (including shipping freight) was US\$111/dmt compared with US\$126/dmt in the preceding quarter. The average Platts CFR price for high-grade 65% Fe fines was US\$124/dmt for the quarter, being a grade-adjusted 7% premium to the benchmark 62% Fe price, compared with US\$140/dmt and 6% in the prior quarter. Lower prices during the June quarter were partly offset by the weaker Australian dollar, which averaged US\$0.668 compared with US\$0.684 in the prior quarter.

Shipping freight rates for Panamax vessel journeys from Koolan Island to northern China ranged from US\$12-14/tonne in the June quarter, compared with US\$11-14/tonne in the preceding quarter. Current Panamax shipping freight rates for the Koolan to China journey are around US\$11/wmt.

Ore sales revenue totalled \$186 million Free on Board (FOB, after shipping freight) for the quarter, reflecting an average realised price of US\$103/dmt FOB for the period. At current prices, each high grade shipment from Koolan Island has a market value of approximately \$11 million FOB (before royalties). Total ore sales revenue for FY23 totalled \$451 million FOB, also at an average realised price of US\$103/dmt FOB.

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 cashflow for the June quarter totalled \$89 million comprising operating cashflow of \$89 million from Koolan Island as noted above, plus cashflow from the Mid-West operations (\$2 million), interest income (\$1 million), exploration costs (\$1 million) and net corporate costs (\$2 million). After working capital movements and full repayment of the \$25 million drawn under the Company's revolving credit facility, the Company's cash and investments balance increased to \$162 million at the end of the quarter, compared with \$83 million at the end of March 2023.

Outlook

As previously indicated, Mount Gibson expects to maintain crushing and shipping volumes sufficient to target sales of circa 4 Mwmt per annum over the remaining mine life. Unit cash operating costs are also expected to reduce in line with increased production and sales levels, with guidance for FY24 to be provided with Mount Gibson's FY23 financial results in August 2023.

Based on Koolan Island's forecast mining and shipping profile, including the substantial mined ore stockpiles built in recent months, the business is well positioned to achieve significant increases in sales and operating cashflows going forward.

FY23 Financial Results

Mount Gibson expects to release its FY23 financial results on 23 August 2023.

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 **11.00am AEST (9:00am AWST) today, 19 July 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.

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 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, June 2023.

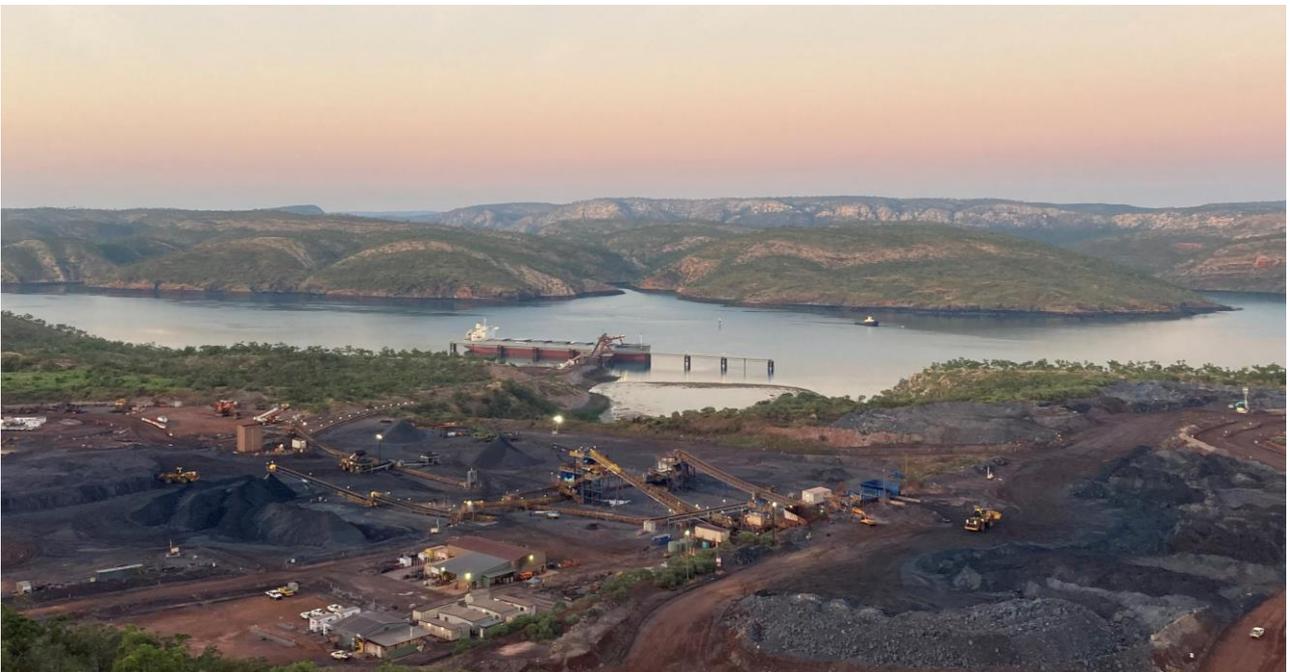


Figure 2: Koolan Island mined ore stockpiles, processing plant and shiploading activities, June 2023.