

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 JUNE 2020 23 July 2020

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

- Iron ore sales of **1.2 million wet metric tonnes (Mwmt)** in the quarter, comprising 0.52 Mwmt of Koolan Island high-grade fines and 0.64 Mwmt of Extension Hill low-grade material from the Mid-West. For the 2019/20 financial year, iron ore sales totalled **4.9 Mwmt**, comprising 2.3 Mwmt of high-grade Koolan Island fines and 2.6 Mwmt of Mid-West low-grade material.
- Group cashflow for the quarter of **\$24 million** before Koolan airstrip construction costs of \$9 million, and for the financial year of **\$72 million** before Koolan airstrip construction costs of \$14 million.
- Cash and liquid investments of **\$423 million** at 30 June 2020, and no borrowings.
- Group unit cash costs* of **\$79/wmt Free on Board (FOB)** for the quarter and **\$72/wmt FOB** for the financial year. Koolan site cash costs were \$113/wmt FOB for the quarter reflecting the investment in advanced waste stripping as well as COVID-19 impacts, and Mid-West cash costs were below plan at \$39/wmt FOB.
- In response to the COVID-19 pandemic, Mount Gibson ensured operational continuity through significant changes to site operating protocols, travel arrangements (including the direct chartering of jet aircraft) and workforce rosters in line with Government and health advice.
- For the **2020/21 financial year** ahead:
 - At Koolan Island, the focus will be on increased mining movements to substantially complete the planned open pit waste stripping phase. Shipment volumes are expected to be slightly lower than in the year just completed but will increase significantly from 2021/22 onwards.
 - In the Mid-West, the low grade sales program is now expected to continue to late 2020.
 - Planning work is well underway for development of the Company's Shine iron ore project, with a development decision scheduled for the current September quarter.
- Production and cost guidance for the 2020/21 financial year will be provided when Mount Gibson releases its 2019/20 full year financial results on 19 August 2020.

* Sales 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.

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "Mount Gibson achieved an improved performance in the June quarter despite substantial operating challenges related to COVID-19 restrictions in the Kimberley region biosecurity zone, and the business ended the first full year since Koolan Island's restart in solid shape.

"We successfully added to our cash and investment reserves over the year and enter the new financial year well positioned to complete the planned stripping phase at Koolan Island and set up the operation for strong production and cashflows in future years.

"Meanwhile, our Mid-West business continues to deliver positive results. Low grade sales from Extension Hill will now extend into late 2020, while additional near-term production opportunities, notably the Shine iron ore project, are under consideration as we continue to pursue longer-term growth ambitions."

PERFORMANCE AT A GLANCE

	Unit	Jun-2019 Quarter	Sep-2019 Quarter	Dec-2019 Quarter	Mar-2020 Quarter	Jun-2020 Quarter	2019/20 Year
Standard DSO product sales	kwmt	370	664	733	439	516	2,352
Low-grade sales	kwmt	237	711	649	587	643	2,590
Total Ore Sales	kwmt	607	1,375	1,382	1,026	1,158	4,942
Platts 62% Fe CFR price, average	US\$/dmt	100	102	89	89	93	93
Platts 65% Fe CFR price, average	US\$/dmt	115	110	98	104	108	105
Realised Koolan fines FOB price*	US\$/dmt	106	95	73	86	97	87
Realised Mid-West fines FOB price [#]	US\$/dmt	29	29	26	27	28	27
Realised Mid-West lump FOB price [#]	US\$/dmt	36	35	35	37	40	36

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 the Platts 65% Fe Index. Realised prices are shown after shipping freight, provisional pricing adjustments and specification adjustments/penalties.

[#] Realised Mid-West FOB prices are shown after shipping freight and specification adjustments/penalties. Mid-West sales since the June 2019 quarter have 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

From early March 2020, the Coronavirus (COVID-19) global pandemic necessitated significant and evolving responses by industry and government to slow the transmission rate of the virus, including restrictions on the movement of people into and within Australia, and strict social distancing requirements.

The wellbeing of employees, contractors and local communities is Mount Gibson's priority. Accordingly, a range of measures have been implemented across Mount Gibson's operations consistent with advice from state and federal health authorities. These measures were particularly stringent for the Koolan Island operation which was subject to travel restrictions imposed by the Western Australian Government and Federal Government biosecurity requirements from late March to early June 2020. Mount Gibson's site personnel responded admirably.

Measures included pre-travel screening and declarations, social distancing during travel and on site, enhanced cleaning and personal hygiene measures, extended rosters to minimise travel, support for the relocation of interstate personnel to WA, and replacement of commercial flights for Koolan Island personnel with dedicated jet charter services. Non-essential work was deferred and a freeze placed on interstate recruitment.

Mount Gibson's iron ore operations on Koolan Island in the Kimberley region, and at Extension Hill and the Geraldton Port in the Mid-West region, were consequently able to continue albeit with increasing travel and operating constraints resulting in some additional cost.

The staged relaxation of travel and social restrictions has now allowed a return to "normal" FIFO rosters (notably 2 weeks on/1 week off). However, various general protocols have been maintained to reduce the risk of virus transmission, including pre-travel screening, dedicated charter flights for Koolan Island FIFO personnel and enhanced cleaning and hygiene measures on site. Mount Gibson remains ready to respond promptly in the event of any required reinstatement of government restrictions.

OPERATIONS

Sales of high-grade ore from Koolan Island totalled 0.52 Mwmt in the June quarter. In addition, 0.64 Mwmt of low-grade material from Extension Hill was shipped from the Geraldton Port in the quarter.

Operating statistics are tabulated in Appendix A.

Koolan Island

A total of 3.9 Mwmt of ore and waste was mined at Koolan Island during the June quarter being a 5% improvement on the prior quarter despite adverse impacts of unseasonal heavy rainfall totalling 270mm in three days at the end of May. Such rainfall is unusual outside the November-March wet season, and disrupted operations in the bottom of the Main Pit in the first half of June. Mining activity returned to targeted levels in the latter half of the month.

Performance in the quarter was also impacted by operational changes implemented as part of the Company's COVID-19 response and by slow mining rates in the western end of the Main Pit where mud sediments arising from the 2014 pit flooding were extracted. This work has since been substantially completed.

As previously indicated, the planned elevated stripping phase of the mine, during which waste movement and operating costs are at their highest and ore production is most variable, is scheduled to be completed over the next 12-18 months. Thereafter, sales will rise and cash costs will decline in step with the significantly reduced waste to ore stripping ratio.

Ore production in the June quarter totalled 805,000 wmt, 48% higher than in the preceding period. Ore sales in the quarter increased 17% but were restricted to seven shipments totalling 516,000 wmt of high-grade fines due to the unseasonal heavy rains in late May, which deferred a scheduled June cargo into the first week of July. Ore sales for the financial year totalled 2.35 Mwmt.

The average grade of shipments in the quarter was 65.1% Fe and for the year was 65.6% Fe. Sales from Koolan Island are made under long term offtake agreements on FOB terms, with the sale occurring upon shipment loading at Koolan Island. At current spot prices for high-grade iron ore and based on an average product grade of 65% Fe, each Panamax cargo has a gross value of approximately \$10 million FOB.

Geotechnical works on the island-side Main Pit footwall (i.e. depressurisation drilling, cable bolting, shotcreting and installation of safety mesh) continue to proceed to plan. Seawall (hanging wall) instrumentation continues to demonstrate that the new seawall, which incorporates the installed impermeable seepage barrier and has been under full tidal loads since late 2018, is safe and performing to design expectations.

Notwithstanding the weather and COVID-19 related disruptions, Koolan Island generated operating cashflow of \$22 million in the quarter before capitalised waste stripping investment of \$7 million and construction costs on the new airstrip of \$9 million. The net site cashflow was therefore \$6 million. Operating costs are detailed in the Cost Performance section of this report.

Infrastructure Investment - Airstrip

As previously reported, the Company is constructing a new 2.1 kilometre sealed all-weather airstrip in the centre of the Island. Construction and commissioning costs are estimated at \$20 million, with first flights anticipated in October 2020. Expenditure in the quarter totalled \$9 million.

Construction has proceeded in line with plan. Foundation earthworks and sealing activities were completed in June, and line marking in early July. Remaining activities, including construction of the terminal and refuelling facilities, installation of lighting and instruments, and formal certification by regulators, are anticipated to be completed in the current quarter.

This new airstrip is expected to deliver significant safety, efficiency and cost reduction benefits to the Koolan Island operation by enabling direct jet flights from Perth. The COVID-19 pandemic has further demonstrated the value of this development.

Mid-West Operations

Mount Gibson commenced the existing low-grade sales program from the Extension Hill mine site in June 2019. Sales since that time have totalled over 2.8 Mwmt.

Sales in the June quarter were in line with plan totalling approximately 643,000 wmt, comprising 232,000 wmt of low-grade lump material and 410,000 wmt of low-grade fines. Sales for the year totalled 2.6 Mwmt.

Cashflow for the quarter totalled \$6 million, including \$2 million from the ongoing rail credit refund.

Operations in the Mid-West continue to proceed well and costs remain in line with plan (refer Cost Performance section of this report). Regional travel restrictions to limit the spread of COVID-19 were lifted in May and did not significantly impact the Mid-West operations. Mount Gibson remains ready to respond promptly in the event of any required reinstatement of government restrictions.

Marketing to further extend the low-grade sales program to the end of calendar 2020 is being finalised based on remaining available low grade stockpiles.

Shine Project

Planning work is underway for development of Mount Gibson's Shine iron ore project located approximately 85km north of the Extension Hill mine site. Mount Gibson expects to complete its assessment and consider a development decision during the current September quarter.

Development of the Shine project was deferred amid deteriorating market conditions in late 2014 but the project now represents a potential near-term production opportunity with minimal start-up capital requirements and total Measured, Indicated and Inferred Hematite Resources of 10.8 Mt grading 58.2% Fe¹.

The project is well advanced with regard to permitting and approvals. During the June quarter, the WA Government renewed the State environmental approval for Shine, thereby extending the time in which development can commence to June 2023. Mount Gibson is reassessing previously reported capital expenditure and operating cost estimates in light of optimised open pit mine planning and available logistics/transport options.

CORPORATE

Realised Pricing and Revenue

Ore sales revenue for all products sold totalled \$103 million FOB in the June quarter, and \$413 million FOB for the 2019/20 financial year. As the majority of Koolan'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\$0.657 in the June quarter, similar to US\$0.658 in the preceding quarter.

The June quarter average Platts CFR price (which includes the cost of shipping paid for by the iron ore supplier) for 62% Fe fines delivered to northern China averaged US\$93 per dry metric tonne (dmt), compared with US\$89/dmt in the preceding quarter, and US\$93/dmt for the financial year. The average Platts CFR price index for high-grade 65% Fe fines increased to US\$108/dmt for the quarter, up from US\$104/dmt in the prior quarter, reflecting strong demand and a widening of the premium for high-grade products. The 65% Fe price averaged US\$105/dmt for the full year.

During the quarter, high-grade DSO fines from Koolan Island achieved an average realised price of US\$97/dmt FOB after penalties, compared with US\$86/dmt in the prior quarter, and US\$87/dmt for the year. Pricing of high-grade Koolan iron ore reflects contract references to the Platts 65% Fe index as well as Panamax shipping freight rates (averaging US\$7-8 per tonne shipped in the quarter), specification adjustments and penalties, and provisional pricing adjustments.

Sales of low-grade material (51-54% Fe) from Extension Hill were conducted on a fixed price basis and achieved an average realised price of US\$28/dmt FOB for fines and US\$40/dmt FOB for lump ore in the quarter, and US\$27/dmt and US\$36/dmt for the year respectively.

Cashflow and Cash Position

The Company's cash and liquid investments totalled \$423 million at 30 June 2020, compared with \$402 million at 31 March 2020 and \$385 million at the end of June 2019.

¹ Refer Annual Statement of Mineral Resources and Ore Reserves as at 30 June 2019, published on 25 September 2019 and also to page 8 of this report for Competent Persons attributions.

Cashflow for the June quarter totalled \$24 million before Koolan airstrip expenditure, comprising operating cashflow from Koolan Island of \$15 million (being \$22 million from operations less \$7 million of advance waste stripping investment), cashflow from the Mid-West operations of \$6 million (including \$2 million from the historic rail refund), interest income of \$2 million, corporate and administration costs of \$4 million, realised foreign exchange losses of \$3 million, and settlement of a historic contractual dispute for an inflow of \$8 million. After Koolan airstrip construction costs of \$9 million and positive working capital movements of \$6 million (reflecting the timing of receipts and payments), the net increase in cash and investments over the quarter was \$21 million.

For the 2019/20 financial year, cashflow totalled \$72 million before Koolan airstrip expenditure, comprising operating cashflow from Koolan Island of \$50 million (being \$91 million from operations less \$41 million of advance waste stripping investment), cashflow from the Mid-West operations of \$22 million (including \$8 million from the historic rail refund), interest income of \$7 million, corporate and other costs of \$15 million, and settlement of a historic contractual dispute for an inflow of \$8 million. After Koolan airstrip construction costs of \$14 million, positive working capital movements of \$7 million, and payment of the \$26 million cash component of the 2018/19 final dividend, the net increase in cash and investments over the year was \$39 million.

Cost Performance

Group cash costs averaged \$79/wmt FOB in the June quarter (before Koolan airstrip construction costs of \$9 million), compared with \$80/wmt FOB in the March quarter, and averaged \$72/wmt FOB for the full year.

In the Mid-West, site cash costs averaged \$39/wmt FOB for the quarter and \$41/wmt for the year, below plan and a slight improvement on the preceding quarter.

At Koolan Island, reflective of the mining constraints and disruption reported in the quarter, site cash costs averaged \$113/wmt FOB in the quarter (including capitalised waste investment of \$7 million) and \$99/wmt FOB for the full year, compared with \$127/wmt FOB for the preceding quarter. Site cash costs will align with waste stripping volumes over the coming year and then reduce over the life of the mine as sales volumes increase and the waste/ore strip ratio progressively declines.

Sales and Cost Guidance for 2020/21

For the 2020/21 financial year ahead, the focus at Koolan Island is on increased mining movements to substantially complete the planned open pit waste stripping phase ahead of ore shipment levels rising significantly from the following year onwards. Shipment volumes for Koolan Island in 2020/21 are expected to be slightly below those in the year just completed and will increase significantly from 2021/22 onwards.

In the Mid-West, the low grade sales program is expected to continue to late 2020, and planning work is already underway for development of the wholly-owned Shine iron ore project, with a development decision scheduled for the current September quarter.

Production and cost guidance for the 2020/21 financial year will be provided when Mount Gibson releases its 2019/20 full year financial results.

Full Year 2019/20 Financial Results

The Company plans to release its full year financial results on 19 August 2020.

Authorised by:

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Mount Gibson will host an analysts/institutions teleconference at **11:00am AEST (9:00am WST)** on **Thursday 23 July 2020**. Investors will be able to listen in to the teleconference by dialling **1300 289 804** 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 Main Pit, looking west, mid-June 2020.



Figure 2: Newly completed 2.1km long Koolan airstrip, looking northwest, mid-July 2020.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Jun-2019 Quarter	Sep-2019 Quarter	Dec-2019 Quarter	Mar-2020 Quarter	Jun-2020 Quarter	2019/20 Year
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	3,588	2,985	3,276	3,113	3,053	12,426
Ore mined	544	651	763	545	805	2,765
Ore crushed	425	661	722	432	556	2,371
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	370	664	733	439	516	2,352
Total	370	664	733	439	516	2,352
MID-WEST						
Mining & Crushing						
Waste mined	-	-	-	-	-	-
Ore mined	-	-	-	-	-	-
Ore crushed	385	882	694	484	265	2,325
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	-	-	-	-	-	-
Low-grade Lump	120	473	478	233	232	1,417
Low-grade Fines	118	238	172	354	410	1,174
Total	237	711	649	587	643	2,590
CONSOLIDATED DATA						
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	370	664	733	439	516	2,352
Low-grade Lump	120	473	478	233	232	1,417
Low-grade Fines	118	238	172	354	410	1,174
Total	607	1,375	1,382	1,026	1,158	4,942
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 72,000-79,000 wmt from Koolan Island. Minor discrepancies may appear due to rounding.						

Competent Person Statement

Mineral Resources:

The information in this report relating to Mineral Resources is based on information compiled by 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. Elizabeth Haren was a full-time employee of, and is a consultant to, Mount Gibson Iron Limited. Elizabeth Haren 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'. Elizabeth Haren consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Koolan Island Main Deposit Ore Reserves

The information in this report relating to Ore Reserves at Koolan Island 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.