



Mount Gibson Iron

Mount Gibson Iron Limited

ABN 87 008 670 817



Level 1, 2 Kings Park Road
West Perth 6005, Western Australia
PO Box 55, West Perth WA 6872
Telephone: 61-8-9426-7500
Facsimile: 61-8-9485 2305
E-mail: admin@mtgibsoniron.com.au

ASX ANNOUNCEMENT

23 August 2023

Results for the 2022/23 Financial Year

Key Points *(All figures expressed in Australian dollars unless stated otherwise):*

- **Total iron ore sales of 3.0 million wet metric tonnes (Mwmt)**, up 84% from the prior year and **grading 65.3% Fe**, confirming **Koolan Island as Australia's highest grade** direct shipping iron ore operation.
- **Gross profit of \$114.2 million** (2021/22: \$72.8 million gross loss) on total revenue of \$452.6 million (Free on Board, FOB) (2021/22: \$142.7 million), reflecting operating and shipping rate improvements at Koolan Island in the second half of the financial year.
- **Net profit after tax of \$5.2 million** (2021/22: \$174.1 million loss after tax) after non-cash impairment expenses of \$75.4 million, derecognition of deferred tax assets of \$16.5 million, other income and administration, corporate and financing costs. The impairment and derecognition expenses largely reflect conservative pricing inputs to the required accounting estimates. The results for the year do not reflect the recent sale of the Company's Mid-West assets, which was completed in July and will be recorded in the 2023/24 financial year.
- **Cash and investment reserves of \$162.4 million** at 30 June 2023 (30 June 2022: \$125.6 million), an increase of \$36.8 million during the year. This increase reflected operating cashflows from Koolan Island of \$95.3 million, Mid-West and corporate cash outflows of \$11.6 million, and working capital movements of \$46.9 million.
- **A dividend has not been declared for 2022/23** given the continuing focus on increasing shipments and profitability from Koolan Island. The Board intends to resume paying dividends going forward and will review dividend capacity, including the expected generation of franking credits, at future interim and full-year periods.
- **Targeted ore sales of 3.8-4.2 Mwmt for 2023/24** from Koolan Island, at a site cash operating cost* of \$65-70/wmt sold FOB before royalties. It is currently expected that the recent footwall rock fall can be supported by geotechnical techniques previously utilised at the operation, such that the mine plan is minimally impacted.
- **Changes to the Board of Directors** with **Ms Evian Delfabbro** appointed as an Independent Non-Executive Director effective 28 August 2023, and **Mr Russell Barwick** stepping down from the Board effective today following nearly 12 years of valued contribution to the Company. Refer today's separate ASX announcement.

** Cash operating costs are reported FOB (loaded at Koolan Island) and include operating and sustaining capital expenditure, before royalties and project capital costs.*

Mount Gibson Chief Executive Officer, Peter Kerr, said: "Mount Gibson's results for 2022/23 reflect the recent mining and processing improvements at Koolan Island and the resultant acceleration of shipping rates in the June quarter. This delivered strong cashflows enabling full repayment of the Company's \$25 million borrowing facility and a substantial increase in its cash and investment reserves at year-end.

"Koolan Island remains positioned to generate significant cashflow going forward, as demonstrated by its performance in the June 2023 quarter. Underpinned by continued high-grade ore production, we look forward to a positive year ahead."

| Group Summary Results (all currency expressed in Australian dollars unless stated otherwise) | | Year ended 30 June 2023 | Year ended 30 June 2022 |
|--|-----------------|--|--|
| Physicals: | | | |
| Ore mined | <i>M wmt</i> | 4.00 | 1.81 |
| Ore sold | <i>M wmt</i> | 3.03 | 1.65 |
| Realised Price: | | | |
| Average realised price, all products, after shipping freight (FOB) | <i>US\$/dmt</i> | 103 | 80 |
| Income Statement: | | | |
| Sales revenue | <i>\$m</i> | 450.6 | 140.7 |
| Interest income | <i>\$m</i> | 2.0 | 2.0 |
| Cost of sales | <i>\$m</i> | (338.4) | (215.5) |
| Gross profit/(loss) | <i>\$m</i> | 114.2 | (72.8) |
| Other income | <i>\$m</i> | 27.1 | 19.1 |
| Administration and other expenses | <i>\$m</i> | (16.6) | (18.1) |
| Net foreign exchange, hedging and financial asset gains/(losses) | <i>\$m</i> | (2.3) | 9.9 |
| Finance costs | <i>\$m</i> | (6.1) | (1.7) |
| Insured repair and restoration costs – Koolan Island | <i>\$m</i> | (10.5) | - |
| Impairment expenses | <i>\$m</i> | (75.4) | (184.6) |
| Profit/(Loss) before tax | <i>\$m</i> | 30.5 | (248.2) |
| Tax (expense)/benefit, including derecognition of deferred tax asset | <i>\$m</i> | (25.3) | 74.1 |
| Profit/(Loss) after tax | <i>\$m</i> | 5.2 | (174.1) |
| Earnings/(Loss) per share | <i>c/share</i> | 0.43 | (14.5) |
| Totals may not add due to rounding. | | | |

Earnings Summary

Mount Gibson Iron Limited (**Mount Gibson** or the **Company**) recorded a net profit after tax of \$5.2 million after pre-tax accounting impairments totalling \$75.4 million on the carrying value of assets and the derecognition of deferred tax assets totalling \$16.5 million. These non-cash expenses reflect recent lower iron ore prices and market conditions, higher prevailing interest rates and general inflationary pressures. The net profit result compared with a loss after tax of \$174.1 million for the prior 2021/22 financial year.

Gross profit totalled \$114.2 million, compared with a gross loss of \$72.8 million in the prior year, reflecting strong operational improvement and increased sales from Koolan Island in the second half of the financial year.

Koolan Island

Significant operational progress was achieved at Koolan Island during the year as the benefits of completion of the major bulk waste stripping and upper footwall ground support programs took effect, particularly once repairs were completed to the components of the crushing plant damaged by fire in August 2022. The focus of activity has now shifted to substantially increasing high-grade ore production and shipments in order to maximise operating cashflow.

Mining of high grade iron ore (+65% Fe) in the Main Pit increased and was maintained in line with plan throughout the year. Approximately 4.0 Mwmt of ore was extracted from the Main Pit, a substantial proportion of which was stockpiled for future processing. At year end, these mined stockpiles totalled approximately 1.1 Mwmt and had an estimated value in excess of \$150 million at prevailing market prices once processed.

The waste-to-ore mining strip ratio also declined substantially as planned, averaging only 1.1:1 in the June 2023 half-year compared with 3.5:1 in the December 2022 half year. The stripping ratio averaged 2.2:1 for the full year and is expected to average approximately 1.2:1 over the remaining mine life. The stripping ratio is a key driver of operating costs at Koolan Island.

Processing was adversely impacted by a fire in the product sizing screen area of the crushing plant in mid-August 2022. No personnel were injured, and interim modifications to the unaffected primary sections of the plant enabled processing and shipping to be undertaken at reduced rates while repairs were completed.

After temporary delays related to record mainland flooding in the Kimberley region in early 2023, fire repairs were completed in early April 2023 and crushing capacity ramped up, supplemented by the mobilisation of a mobile crushing contractor to site. This facilitated a rapid sales increase and a strong operational and financial improvement in the June half-year. Ore processing, including rehandle, subsequently totalled 3.6 Mwmt for the year, of which 1.1 Mwmt was processed in the June 2023 quarter.

In relation to the processing plant fire, Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations and by year-end had received progress payments totalling approximately \$7.7 million from the Company's insurers. 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 remains uncertain.

Ore sales totalled 3.0 Mwmt of high-grade fines products for the year, almost double the sales in the prior year, at an average grade of 65.3% Fe. The sales result included 1.25 Mwmt sold in the June 2023 quarter in which a record 17 shipments were completed.

Financial performance

The Koolan Island operation generated a profit before interest and tax of \$44.1 million in the year, a significant improvement compared with the loss of \$190.9 million recorded in the prior year. Operating cashflow totalled \$95.3 million, compared with a cashflow deficit of \$188.2 million in the prior year. Ore sales revenue totalled \$450.6 million FOB, reflecting an average realised price of US\$103/dmt FOB, with the key outflow items being cash operating costs (\$227.9 million), royalties (\$42.5 million), crusher repair and interim processing arrangement costs (\$20.7 million), advanced waste stripping investment (\$11.0 million) and sustaining and project capital costs (\$53.4 million).

Koolan Island's unit cash costs were \$77/wmt sold FOB in the year before inventory build, major project costs and royalties, which reflected the significantly reduced waste stripping activity and increased shipping volumes in the year. This was a substantial reduction compared with the average unit cost of \$119/wmt FOB achieved in the prior year. Costs are expected to reduce further in line with increased sales and a lower average strip ratio. Shipping freight rates for journeys from Koolan Island to northern China also further declined to an average of approximately US\$14/tonne in the year, compared with an average of around US\$20/tonne in the preceding year.

Koolan Island Eastern Footwall Remediation

As reported subsequent to period end, a localised rock fall occurred in a section of the eastern footwall (island-side) of the Main Pit at Koolan Island on 5 August 2023. The event was detected in advance by the site's continuous radar monitoring systems, and no injuries or equipment damage occurred.

The area impacted by the rock fall is not currently being mined and ore production is not scheduled to occur in that location until the March 2024 quarter. Based on initial geotechnical evaluation, it is currently expected that remedial measures can be implemented to enable mining to recommence in the impacted zone with minimal impact on the current mine plan. A detailed geotechnical assessment is now underway to further define these measures which are likely to include the use of additional strengthened mesh as well as cable bolting and shotcreting typical for ground support activities at the Koolan Island operation.

Mid-West

The Mid-West business generated a profit before interest and tax of \$6.5 million for the year, reflecting expenses totalling \$5.9 million and income of \$12.4 million from the ongoing Mid West rail credit refund and third-party usage of ore storage facilities at Geraldton Port.

Mid-West Transaction

At the end of June, Mount Gibson announced an agreement to divest its Mid-West iron ore mining and infrastructure assets to fellow Mid-West producer Fenix Resources Limited for total consideration of at least \$25 million, comprising \$10 million cash, 60 million Fenix shares and 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). Completion of the transaction was subject to satisfaction of consents and conditions in respect of third-party interests, and these were subsequently achieved on 21 July 2023. The total consideration received was \$29.5 million, based on valuations of the Fenix shares and options at the completion date.

Mount Gibson became Fenix's largest shareholder with an equity interest of approximately 8.6%. Mount Gibson also holds the right, but not the obligation, to nominate a non-executive director to the Fenix Board should its equity interest increase to 10%.

The assets 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. Fenix acquired 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 assumed by Fenix across the assets being divested were provisioned on Mount Gibson's books for \$8.2 million as at 30 June 2023.

Mount Gibson has retained 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.

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. The transaction enabled Mount Gibson to realise value for assets which were not 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.

Mid-West Rail Refund/Credit

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 received \$9.2 million of the rail credit during the year, taking total cumulative proceeds to approximately \$33.5 million. The remaining credit is expected to be received in the 2023/24 financial year.

Market conditions and pricing

Iron ore prices were lower over the course of the year, reflective of global economic uncertainty, notably with regard to the global economic outlook, in particular the Chinese economy and its construction and manufacturing sectors. The benchmark Platts 62% Fe CFR price (including shipping freight) started the year at US\$120/dmt and ended the year at US\$112/dmt, after dipping below US\$80/dmt in October 2022 and touching US\$133/dmt in March 2023, to average US\$110/dmt for the year. The Platts 65% Fe CFR price, to which Koolan Island sales are referenced, averaged US\$124/dmt CFR (including shipping freight) compared with US\$162/dmt in the previous year, reflecting an average grade-adjusted premium over the 62% Fe Index price of 7% compared with 13% in the prior year. The lower average iron ore prices were partly offset by the weaker value of the Australian dollar, which averaged US\$0.673 for the year compared with US\$0.72 in the preceding year.

Group ore sales reflected an average realised price of US\$103/dmt FOB for the year, compared with US\$80/dmt FOB the prior year, in which sales included 0.3 Mwtmt of lower grade ore products from Shine.

Sales from Koolan Island are made under long term offtake agreements on FOB terms (i.e. loading at Koolan Island, excluding shipping freight), 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. Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000 to 80,000 tonnes of iron ore.

Cashflow and Cash/Investments Position

The Group's cash and investment reserves - comprising cash and cash equivalents, term deposits, subordinated notes and financial assets held for trading - totalled \$162.4 million as at 30 June 2023, an increase of \$36.8 million over the year. The key components of the movement are tabulated below:

| Cashflow Summary | Koolan Island \$'000 | Mid-West (Shine) \$'000 | Corporate & Other \$'000 | Total \$'000 |
|---|-------------------------|-------------------------------|--------------------------------|-----------------|
| Operating cashflow before capital expenditure | 180,392 | (2,386) | (6,183) | 171,823 |
| Project expenditure: | | | | |
| Koolan Island crusher repairs and interim processing arrangements | (20,740) | - | - | (20,740) |
| Capital expenditure: | | | | |
| Advanced waste stripping (capitalised deferred stripping costs) | (11,020) | - | - | (11,020) |
| Mine development (including ground support activities) | (31,434) | - | - | (31,434) |
| Sustaining capital, equipment purchase, exploration and other | (21,946) | - | (2,266) | (24,212) |
| | 95,252 | (2,386) | (8,449) | 84,417 |
| Realised net hedging gain | | | | (719) |
| Other financing activities and net working capital movements | | | | (46,856) |
| Total movement in cash and investment reserves in the period | | | | 36,842 |

Mount Gibson does not have bank borrowings, having repaid in full during the June 2023 quarter the \$25 million drawn in late 2022 from its existing revolving credit facility.

Non-Cash Adjustments (Impairment and Deferred Tax Asset Derecognition)

As part of its normal period-end financial reporting obligations, the Company reviewed the book carrying value of its assets as at 30 June 2023 in light of prevailing market conditions, including iron ore prices, foreign exchange rates, general inflationary pressures and higher prevailing interest rates.

The Company consequently recorded a non-cash impairment of \$75.4 million before tax, comprising write-downs of deferred stripping costs (\$36.3 million), other mine properties (\$25.8 million), property, plant and equipment (\$12.2 million) and right-of-use assets (\$1.1 million). The Company also derecognised \$16.5 million of its deferred tax assets in relation to carried forward tax losses and other timing differences.

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 the bulk commodities and base metals sectors in Australia. Equity positions with a combined market value of approximately \$3 million (excluding the Fenix equity holding mentioned above) 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 year the Company completed preliminary drilling programs at prospects near Talling 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.

Group Guidance

The focus for the 2023/24 financial year is to continue the operating improvements at Koolan Island to increase cashflow and profitability, while also pursuing potential new resources investment opportunities. For the 2023/24 financial year, Mount Gibson is targeting sales of 3.8-4.2 Mwmt of high grade iron ore from Koolan Island, a significant increase on last year, at an average site cash operating cost of \$65-70/wmt sold FOB before royalties.

Dividend

A dividend has not been declared for 2022/23 given the continuing focus on increasing shipments and profitability from Koolan Island. The Board intends to resume paying dividends going forward and will review dividend capacity, including the expected generation of franking credits, at future interim and full-year periods.

Director Changes

The Company advises that Ms Evian Delfabbro has been appointed to the Board as an Independent Non-Executive Director effective 28 August 2023 and that Mr Russell Barwick is stepping down from the Board effective today following nearly 12 years of valued contribution to the Company. The Board sincerely thanks Mr Barwick for his valued contribution since joining the Board in November 2011, and welcomes Ms Delfabbro to the Board. More information is detailed in the Company's separate ASX release dated today, 23 August 2023.

Director nominations

For the purposes of ASX Listing Rule 3.13.1, the closing date for receipt of nominations from persons wishing to be considered for election as a Director of the Company at the 2023 Annual General Meeting is 27 September 2023.

Annual General Meeting (AGM)

Mount Gibson will be holding a "hybrid" Annual General Meeting in Perth on 15 November 2023. Shareholders may participate by attending in person or via webcast. Information explaining how shareholders may access, vote and ask questions within the online meeting room will be provided in the Company's Notice of AGM to be released in October 2023.

Financial Statements

Full details of Mount Gibson's financial results for the year ended 30 June 2023 are available in the Appendix 4E and financial statements released to the ASX today and published on the Company's website.

Authorised by:

Peter Kerr, Chief Executive Officer

For further information:

Peter Kerr

Chief Executive Officer
Mount Gibson Iron Limited
+61-8-9426-7500

www.mtgibsoniron.com.au

John Phaceas

Manager Investor & External Relations
+61-8-9426-7500
+61-(0)411-449-621

Mount Gibson will host an analysts and institutions teleconference today at **11:00am AEST Wednesday 23 August 2023**. Investors will be able to listen in to the teleconference by dialing **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.