

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED REPORT FOR THE QUARTER ENDED 30 JUNE 2021 28 July 2021

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

- Production has commenced at the **Shine Project** in the Mid-West with crushing and road haulage to Geraldton Port now underway. The first ore shipment remains targeted for August.
- At **Koolan Island** the overburden stripping program continued with 5.0 million wet metric tonnes (Mwmt) of total material moved during the quarter. The Main Pit footwall ground support and crusher upgrade projects progressed, albeit with COVID-related delays, and increased sales volumes, ore grades and cashflows remain scheduled for the December 2021 quarter.
- **Group sales of 0.5 Mwmt in the June quarter** and **3.0 Mwmt** for the 2020/21 financial year, in line with guidance, comprising 1.2 Mwmt from the Mid-West and 1.8 Mwmt from Koolan Island.
- **Group operating cashflow for the quarter of \$5 million**, before investment of \$40 million in scheduled overburden stripping and \$11 million in capital projects at Koolan Island, and Shine development and pre-production costs of \$17 million.
- Group unit cash costs before capital expenditure, as detailed above, were **\$82 per wmt sold Free on Board (FOB)** for the quarter and for the full year averaged **\$66/wmt FOB**, in line with guidance.
- **Cash and investments of \$365 million** at 30 June 2021, with no borrowings.
- Full year results to be provided in August along with production and cost guidance for 2021/22.

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 advanced its development and production plans during the June quarter and despite increasing COVID-related labour and cost pressures, finished the financial year in a robust position. Our focus remains firmly on completion of the current waste stripping program at Koolan Island and upgrades to the operation's processing facilities, as well as ramp-up of production activities at the new Shine project in the Mid-West.

"The first shipment of Shine iron ore is targeted for August and increased shipping volumes and ore product grades at Koolan Island remain scheduled for the December quarter. Mount Gibson's operating cashflows are then expected to substantially increase.

"Continued strong iron ore prices have materially reduced the total draw on our cash reserves during this important phase of investing in our business and the benefits of this investment program are now coming into view. We look forward to strengthening our operating and financial performance over the coming year."

PERFORMANCE AT A GLANCE

	Unit	Jun-2020 Quarter	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	2020/21 Year
Standard DSO product sales	kwmt	516	672	396	232	481	1,781
Mid-West low-grade sales	kwmt	643	701	534	-	-	1,234
Total Ore Sales	kwmt	1,158	1,373	930	232	481	3,016
Platts 62% Fe CFR price, average	US\$/dmt	93	118	134	167	200	154
Platts 65% Fe CFR price, average	US\$/dmt	108	129	146	191	232	174
Realised Koolan fines FOB price*	US\$/dmt	97	104	149	106	66	105
Realised Mid-West fines FOB price#	US\$/dmt	28	30	34	-	-	30
Realised Mid-West lump FOB price#	US\$/dmt	40	41	45	-	-	43
<p>Minor discrepancies may occur due to rounding.</p> <p>* 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 June 2021 quarter reflect the temporary lower grades of approximately 56% Fe at Koolan Island while the major waste cut-back program is underway.</p> <p># 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.</p> <p>kwmt = thousand wet metric tonnes. US\$/dmt = USD per dry metric tonne.</p> <p>For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 3% for Koolan Island fines and approximately 4% for Mid-West products.</p>							

COVID-19 BUSINESS RESPONSE UPDATE

During the June 2021 quarter the Western Australian Government twice initiated brief lockdowns in the Perth and Peel metropolitan region of the State following reported cases of community transmission. This included the reinstatement of certain regional travel restrictions, mandatory mask-wearing requirements and site social distancing protocols. These restrictions, in particular the interstate border and quarantine restrictions applying to fly-in-fly-out (FIFO) personnel, reduced the availability of skilled personnel and disrupted Mount Gibson's operating activities. Further information regarding site impacts is detailed in the operations section of this report.

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. The Company 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 reinstated government restrictions.

OPERATIONS

Sales of fines ore from Koolan Island totalled 0.48 Mwmt in the June quarter consistent with the scheduled overburden stripping program. No other sales were undertaken in the period with the Mid-West activities centred on development of the Shine Project with ore production now underway and the first shipment targeted for August.

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. Continuous improvement in safety performance is a primary focus of the Company, in particular with site personnel numbers at elevated levels during development works at Shine and the footwall geotechnical support and processing upgrade programs at Koolan Island.

The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) was 13.8 incidents per one million man-hours at the end of June, compared with 13.3 at the end of March 2021 and 14.9 at the end of the

previous financial year. The rolling 12-month Lost Time Injury (LTI) Frequency Rate (LTIFR) was 4.4 incidents per one million man-hours at the end of June compared with 4.0 at the end of March, reflecting 6 LTIs recorded at Koolan Island and 1 at Extension Hill in the last 12 months. The Shine operation has been LTI-free since inception and the Company's Geraldton Port team has remained LTI-free for over 11 years.

Koolan Island

In the June quarter the Koolan Island operation progressed the scheduled overburden stripping phase required to access significantly greater volumes of higher-grade iron ore from later this year onwards.

Mining and Production

Total material movement ("TMM") increased 13% to 5.0 Mwmt of ore and waste mined during the June quarter, compared with 4.4 Mwmt in the prior quarter, and totalled 20.1 Mwmt for the full year. The quarterly increase in TMM reflected the ramp-up in waste movement following the end of the wet season in April.

Mining in the western end of the Main Pit continues to be impacted by the previously reported surface rockfall on the upper Main Pit footwall. The rockfall did not result in any injuries to personnel or damage to equipment, and the seawall side of the Main Pit was not impacted by this event. To ensure safe access for future mining, Mount Gibson has engaged a specialist contractor to undertake geotechnical footwall ground support bolting in the impacted areas. Mobilisation of personnel and equipment to site commenced in April, with initial works started in May. Work is progressively increasing but efforts are currently being impeded by interstate COVID travel restrictions. The program is forecast to cost circa \$20 million over the following six months, with both Mount Gibson and the contractor seeking ways to increase productivity and decrease cost.

This geotechnical footwall program will progressively allow mining access to high grade ore zones in the lower western end and central parts of the Main Pit, from the end of September onwards. In the interim, lower and medium grade ore will continue to be sourced from zones within the Main Pit and from the Acacia satellite 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 sales for the quarter totalled 481,000 wmt of fines compared with 232,000 wmt in the prior quarter. Ore sales for the year totalled 1.8 Mwmt, in line with guidance. The majority of the final shipment for the year was loaded at quarter end and is included in the quarterly sales.

The average grade of ore sold in the quarter was 56.6% Fe and for the 2020/21 financial year was 61.0% Fe. As previously indicated, production and sales will be limited to blended lower and medium grade material until the upper footwall geotechnical works have progressed to facilitate the safe mining of high grade iron ore in the western end of the Main Pit. This mining is scheduled for the December quarter.

The initial stage of the processing upgrade project was completed as scheduled during the quarter, with the final stage currently scheduled for completion in October. The existing crushing plant is being maintained to handle the forecast near-term volumes. The total capital investment for the project is estimated at \$20-25 million, of which \$7 million was spent in the June quarter and \$11 million has been spent to date. The upgrade will ensure the crushing circuit is capable of processing the significantly increased high grade ore throughput scheduled to occur from later this year onwards.

Financial Performance

Koolan Island generated operating cashflow of \$8 million in the June quarter before capitalised overburden stripping investment of \$40 million and capital projects of \$11 million, resulting in a net site cash drawdown of \$43 million. For the 2020/21 financial year operating cashflow of \$121 million was generated before capitalised overburden stripping investment of \$138 million and capital projects of \$22 million, for a net investment of \$39 million during the waste stripping phase.

Unit mining and administration costs were \$10.67 per tonne of material moved in the June quarter, reflecting the timing of maintenance expenditure and COVID impacts, and for the financial year were \$9.40 per tonne of material moved. Unit cash costs are detailed in the cost section of this report.

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.

Mount Gibson will provide specific cost and sales guidance for the new financial year with its annual financial results in August. The Company continues to anticipate significant improvements in Koolan Island ore production and quality, costs, sales and cashflow in the December 2021 quarter onwards.

Exploration and Resource Development

Mount Gibson is continually assessing potential opportunities to extend the mine life of the Koolan Island operation. Preparations and permitting are also progressing to enable drilling later this year at the Mangrove deposit, along strike to the east of the Main Pit and directly adjacent to the processing and ore stockpile areas.

Mid-West Operations

Shine Project

The Shine Iron Ore Project is located approximately 85km north of the now-closed Extension Hill mine. Shine has an initial Ore Reserve¹ of 2.8Mt grading 59.4% Fe in the proposed "Stage 1" pit. Annual production is forecast at approximately 1.5 Mwmt over an initial two-year period. Should market conditions remain supportive, there is potential to extend the 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.

Clearing of the Shine open pit footprint was completed in February followed by the commencement of blasting and mining of overburden in late March 2021. First ore was mined and stockpiled in early April. Total material movement in the June quarter was 1.8 Mwmt, including approximately 55,000 wmt of sales-grade ore.

Site construction activities are largely complete, including installation and commissioning of the administration and workshop facilities and the commissioning of electrical and water supplies. Approximately 10,000 wmt of crushed lump ore was stockpiled at quarter end following start-up and commissioning of the crushing plant in late June.

Mount Gibson is self-performing mining activities at the Shine Project consistent with its current and prior operations in the Mid-West and Kimberley regions. Crushing and stockpiling is being undertaken by a specialist crushing services provider.

Ore is initially being road hauled from Shine approximately 300km to Mount Gibson's ore storage and loadout facilities at Geraldton Port. Mount Gibson intends to recommission its existing Ruvidini rail siding at the town of Mullewa which will facilitate a reduced road haul distance from Shine and a rail journey for the remaining 100km to Geraldton Port. Mount Gibson established the Ruvidini siding for its nearby Talling Peak mine which closed in 2014 after ten years of operation, with access for Shine material requiring some road and rail crossing modifications.

Current trucking activities will progressively increase over coming months as drivers and trucks become available in a tight market for trucking contractors.

Mount Gibson is targeting its first shipment from Geraldton Port in August, following the build of stocks.

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

Capital development and pre-production expenditure at Shine during the 2020/21 financial year totalled \$29 million, consistent with guidance, including \$17 million in the June quarter.

Mount Gibson anticipates cost pressures during the initial trucking-only phase, notably while haulage volumes rise towards the targeted 1.5Mtpa rate. Specific guidance for the 2021/22 financial year will be provided with the full year results in August.

Now that production is underway, and as a condition of the original purchase of Shine in 2013, Mount Gibson is obliged to make a number of vendor payments totalling \$4.5 million within the next 6-12 months. The first of these, payable upon the initial shipment, is a deferred purchase payment of \$3 million. In addition, Mount Gibson is obligated to pay a price participation royalty of \$0.20/dmt of ore sold for every A\$1/dmt the 62% Fe index price trades above the equivalent of A\$115/dmt CFR. The \$3 million deferred purchase payment is offset against this royalty.

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 of the Extension Hill mine site was \$9 million at 31 December 2020 and, reflecting the activities completed to date, has reduced to \$5.7 million as at 30 June 2021.

Infrastructure remaining on site includes the crushing plant and accommodation camp. Expressions of interest have been received from various parties regarding the site and the remaining assets, which could offset future rehabilitation costs.

Exploration and Business Development

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

Equity positions have been purchased 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 \$13 million.

In addition, the Company continues to assess various greenfields and brownfields exploration opportunities for base metals deposits in the Mid-West region. Subsequent to period end, the Company entered into a farm-in agreement covering prospective exploration tenure north of the Company's former Talling Peak site in the Mid-West approximately 160km northeast of Geraldton. In addition, a number of target areas have been identified for further testing on the Company's existing exploration tenure in that region.

At the port of Geraldton, where Mount Gibson owns substantial storage and export infrastructure, the Company has also entered agreements to provide certain third parties with access to surplus storage capacity and product handling services on commercial terms. These agreements are generating additional cashflow from Company-owned capacity not currently required for the Shine project.

CORPORATE

Realised Pricing and Revenue

Ore sales revenue totalled \$41 million Free on Board (FOB) in the June quarter, and \$311 million FOB for the financial year. 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\$0.770 in the June quarter, compared with an average of US\$0.773 in the preceding quarter.

Iron ore prices rose strongly during the June quarter, reflecting buoyant and sustained Chinese demand and continued supply-side constraints. The June quarter average Platts CFR price (which includes the cost of

shipping) for 62% Fe fines delivered to northern China was US\$200/dmt compared with US\$167/dmt in the preceding quarter.

During the quarter, the lower grade (and higher silica) fines products from Koolan Island achieved an average realised price of US\$66/dmt FOB after penalties, compared with US\$106/dmt FOB in the prior quarter. The realised price in the June quarter reflected the lower average sales grade of 56.6% Fe for Koolan Island fines, and the higher impurity levels, this being a function of ore being sourced from lower grade zones and satellite deposits during the current overburden advance stripping program within the Main Pit. Production from Koolan Island will continue to be sourced from lower and medium grade material for the current quarter as access to high grade zones of the Main Pit is established in the December 2021 quarter.

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\$18 per tonne shipped in the quarter, up from US\$14 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 investments totalled \$365 million at 30 June 2021, compared with \$412 million at 31 March 2021.

Cashflow for the June quarter reflected the waste stripping program and other capital projects at Koolan Island as well as scheduled development and pre-production activities at Shine. The outflow from Koolan Island was \$43 million comprising operating cashflow of \$8 million less \$40 million of advance overburden stripping and \$11 million of capital projects. Shine development costs totalled \$17 million. Mid-West rail credit and infrastructure income totalled \$2 million, interest and other income totalled \$2 million, Extension Hill rehabilitation costs totalled \$2 million, and corporate and administration costs were \$3 million (including realised foreign exchange gains and losses). After working capital inflows of \$14 million, reflecting the timing of receipts and payments, this resulted in a reduction of \$47 million in the Company's cash and investment balance over the quarter.

Cost Performance

Reflecting the capital programs and reduced shipment volumes, Group unit cash costs averaged \$82/wmt FOB in the June quarter before Koolan Island overburden stripping investment (\$40 million) and capital projects (\$11 million), and Shine development costs (\$17 million). Group unit cash costs averaged \$66/wmt before capital projects for the financial year, in line with guidance.

At Koolan Island, site unit cash costs were \$69/wmt FOB in the quarter (before overburden stripping investment and capital projects) and \$70/wmt for the financial year. 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.

Mount Gibson will provide production and cost guidance for the coming year when it releases its financial results for the 2020-21 financial year on 18 August 2021.

The Company presently anticipates costs to remain elevated and sales volumes to be modest in the current quarter before improving during the December quarter as ore shipments from Shine increase and access to high grade ore is established at Koolan Island.

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Mount Gibson will host an analysts/institutions teleconference at **11:00am AEST (9:00am WST)** on **Wednesday 28 July 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, July 2021.



Figure 2: Mining operations in the Shine open pit, July 2021.

APPENDIX A

Mount Gibson Iron Limited Quarterly Operating Statistics

	Jun-2020 Quarter	Sep-2020 Quarter	Dec-2020 Quarter	Mar-2021 Quarter	Jun-2021 Quarter	2020/21 Year
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing						
Waste mined	3,053	4,544	5,259	4,182	4,720	18,706
Ore mined	805	672	184	260	314	1,431
Ore crushed	556	683	285	242	405	1,615
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	516	672	396	232	481	1,781
Total	516	672	396	232	481	1,781
MID-WEST						
Mining & Crushing						
Waste mined	-	-	-	73	1,793	1,866
Ore mined^	-	155	423	-	55	633
Product crushed#	265	680	324	-	10	1,014
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	-	-	-	-	-	-
Low-grade Lump	232	416	472	-	-	888
Low-grade Fines	410	285	61	-	-	346
Total	643	701	534	-	-	1,234
CONSOLIDATED DATA						
Shipping/Sales*						
Standard DSO Lump	-	-	-	-	-	-
Standard DSO Fines	516	672	396	232	481	1,781
Low-grade Lump	232	416	472	-	-	888
Low-grade Fines	410	285	61	-	-	346
Total	1,158	1,373	930	232	481	3,016
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 72,000-82,000 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. Mid-West production and sales data from the March quarter 2021 onwards is from Shine. 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.