



## Mount Gibson Iron Limited

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### ASX ANNOUNCEMENT

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### Operating Update – Staged Suspension of Shine Iron Ore Mine

- Shine operations to be ramped down and suspended after next planned shipment at month end.
- The decision reflects a rapid deterioration in iron ore prices, particularly for lower and medium grade ores, and significantly increased shipping freight charges.
- The high-grade Koolan Island mine is unaffected and operations are continuing as planned.

Mount Gibson Iron Limited (**Mount Gibson** or the **Company**) provides the following update regarding its iron ore mining operations at Shine in the Mid-West and at Koolan Island in the Kimberley region of Western Australia.

#### *Shine Iron Ore Mine*

Given recent significant adverse movements in iron ore prices, product discounting and shipping freight rates, the Company will implement a staged suspension of operations at the Shine mine site to reduce expenditure and preserve the value of the deposit, as well as to provide time to assess the outlook for the iron ore market. The operation will continue ore mining and processing over the next month to facilitate a shipment around the end of October, following which the site will be placed on “care and maintenance” pending an improvement in iron ore market conditions.

This is a disappointing decision for the Company given that the Shine mine is in its first year of operation. However, it is a commercially sensible one necessary to limit cash outflows and preserve the future optionality of the Shine deposit.

The substantial recent decline in iron ore prices has been exacerbated by a significant widening of discounts and penalties for medium and lower grade iron ore products, a rapid rise in shipping freight rates from Geraldton Port (from under US\$15 per tonne shipped to China to over US\$30 per tonne currently), and relatively high road transportation costs in the Mid-West given the distances involved.

The site-based workforce at Shine currently totals approximately 120 personnel, of which 48 are Mount Gibson employees. Mount Gibson will retain a core team to keep the site secure and in good standing to enable activity to be promptly restarted should market conditions permit, and will also seek to redeploy some employees to available roles at its Koolan Island operations. The Company will also work with its contractors and local communities to lessen the impacts of this necessary action.

In light of the planned suspension of operations at Shine, sales guidance for the site is withdrawn for the 2021/22 financial year.

Mount Gibson Chief Executive Officer Peter Kerr said: "Our Shine operating and commercial personnel have worked extremely hard to bring the mine into production this year, so it is very disappointing that we must now suspend operations. However, this is the commercially sensible course of action in order to preserve value given the rapid deterioration of market conditions and the recent increase in shipping freight costs to record levels.

"However, we are optimistic that market conditions will allow us to restart the Shine operation in the future and we will place the site into a position where a prompt restart can be considered in due course."

#### *Koolan Island Iron Ore Operations*

The suspension of Shine does not impact the Koolan Island operation which remains a very attractive investment opportunity for the Company. This is due to the operation having one of the world's highest grade direct shipping hematite iron ore deposits (approximately 65% Fe) with minimal transportation costs given that vessels are loaded directly at the mine site and have a shorter steaming distance to the Company's export markets.

The price for high grade 65% Fe ore is currently at a grade-adjusted premium of 15% to the benchmark 62% Fe index. High grade ores have consistently traded at premiums reflecting the higher iron productivity within a steel-making blast furnace and preferred environmental outcomes relating to the lower impurity levels. Given the features of high-grade iron ore pricing and the expected reduction in mining costs as the waste to ore strip ratio decreases, along with increasing production from the high-grade Main Pit orebody as the waste stripping program is completed, Koolan Island is anticipated to generate significant positive cashflows over its remaining five year mine life.

Activities at Koolan Island are currently focused on substantial investments in the Main Pit waste stripping program, ground support works on the upper footwall and the crusher upgrade project. The waste stripping program has been proceeding satisfactorily given COVID-related travel constraints, with productivities now lifting as broader mining areas become available in the Main Pit.

As expected, shipment volumes are presently at low levels and access to higher grade iron ores will progressively increase as the waste stripping and footwall programs are completed, with sales to accelerate in the second half of this financial year. Total sales for Koolan Island for 2021/22 remain targeted at around 2 million tonnes, subject to progression of the waste stripping program and the extent of the coming wet season rain interruptions.

Mount Gibson will provide a more detailed update regarding the operation when it releases its September quarter activities report later this month.

#### *Lifting of Trading Halt*

Mount Gibson requests that following the release of this announcement, trading in its securities be reinstated.

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