Mount Gibson Iron

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10 November 2021

Chairman's Address – 2021 Annual General Meeting

The 2020/21 financial year was one of significant investment in our existing business to enable increased sales and cashflow in future years, whilst also managing operational and external challenges, including the ongoing Coronavirus (COVID-19) global pandemic and tight labour market in Western Australia.

Ore sales revenue totalled $311.7 million Free on Board ("FOB") from the sale of 3.0 million wet metric tonnes of iron ore from the Koolan Island and Extension Hill operations. This compared with revenue of $415 million FOB on sales of 4.9 million wet metric tonnes in the preceding year reflecting the completion of the successful low grade sales program in the Mid West during the year and continued focus on progressing the bulk waste stripping program at Koolan Island.

Profit before tax totalled $92.1 million, and profit after tax totalled $64.0 million. At year end, the Company's cash and liquid investments totalled $364.7 million, a reduction of $58.5 million over the year, consistent with the Company's investment commitments and lower ore sales in the year.

Operational milestones during the year included substantial progress toward completion of the bulk stripping program at Koolan Island, and in the Mid-West, the successful completion of the Extension Hill low-grade sales program and the development of the Shine iron ore operation.

The ongoing COVID-19 pandemic continued to impact our business and our workforce over the year. Effectively managing these impacts was pivotal to the Company's performance, and I commend Mount Gibson's employees for their commitment and resilience during this time.

The Board was pleased to declare a fully franked final dividend of 2.0 cents per share for the year. On payment, Mount Gibson will have distributed approximately $332 million in fully franked dividends since late 2011, whilst retaining substantial capital for reinvestment in our existing business and new resources investment opportunities.

Since the end of the financial year, iron ore prices have significantly weakened, resulting in substantial draw on our financial reserves. The Company's Board and management team remain very focused on the changes necessary to preserve and increase shareholder value during this volatile period.

This has included the difficult but necessary decision to suspend operations at the Shine mine to preserve the value of the asset whilst allowing us to assess the market outlook. It is pleasing that many of our employees at Shine will be moving to our Koolan Island operation, thereby helping alleviate some of the labour constraints being felt across our industry, including at Mount Gibson.

We are also focused on careful management of capital expenditure during this phase of investment at Koolan Island that is necessary to generate the latent value of our flagship asset over the coming years.

Looking ahead, the Board has determined the following key business objectives for the 2021/22 financial year:

- At Koolan Island, our focus is on progression of the Main Pit waste stripping and footwall support programs to access to high grade ore as scheduled, in order to maximise sales and cashflow over the remainder of the mine life as shipments rise and the waste/ore stripping ratio and costs decline.

- In the Mid-West, our focus is on completing the Shine operation's transition to care and maintenance in a state that will allow a rapid re-start should market conditions improve to a sufficient and sustainable level. We will also progress rehabilitation of the Extension Hill mine site.

- We will continue to drive for sustainable operating and cost improvements across the existing business.

- We will also continue the search for acquisition opportunities in the resources sector, whilst being appropriately cautious with respect to commodity price outlooks.

By focusing on these priorities, we are confident that Mount Gibson can continue to navigate variable market conditions and deliver strong long term returns for our shareholders.

In summary, I would like to thank my fellow Directors and the employees of Mount Gibson for their efforts over the year. I look forward to successful years ahead.

Lee Seng Hui
Chairman
Mount Gibson Iron Limited

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