



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

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December 2023 Half-Year Financial Result

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

- **Record high grade iron ore sales of 2.5 million wet metric tonnes (Mwmt)** grading 65.4% Fe for net sales revenue of **\$432.0 million** Free on Board (FOB) (1H FY23: 1.1 Mwmt and \$152.0 million FOB).
- **Net profit after tax of \$138.7 million** (1H FY23: \$7.4 million) reflecting continued strong operational improvement and record sales from Koolan Island in the reporting period. The results include a pre-tax gain of \$35.9 million on the sale of the Company's Mid-West assets, which was completed in July 2023.
- **Cash and investment reserves of \$358.5 million** at 31 December 2023 (30 June 2022: \$162.4 million), **an increase of \$196.1 million** during the half-year.
- **Guidance maintained** for FY24 high grade iron ore sales of **3.8-4.2 Mwmt** at an average cash operating cost* of **\$65-70/wmt FOB**.
- In line with the Company's stated approach, the Board will consider the payment of a dividend when it reviews the Company's full year financial performance and available franking credits in August 2024.

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

Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "Mount Gibson's results for the first half of the 2023/24 financial year reflect a solid operating performance at the high grade Koolan Island mine, resulting in record six-monthly shipments and enabling Mount Gibson to rapidly rebuild its cash and investment reserves.

"The Company and its shareholders have benefitted from the substantial overburden stripping and processing facility investments made at Koolan Island over the last few years, such that the operation is performing well at a time of attractive iron ore prices, with the Company positioned for further cashflow generation.

"Koolan Island is Australia's highest grade direct shipping hematite iron ore mine which provides a strong technical and economic base from which Mount Gibson can pursue future resources investment opportunities."

Summary Results (all currency expressed in Australian dollars)		Half-Year ended 31-Dec-2023	Half-Year ended 31-Dec-2022
Physicals:			
Iron ore mined	<i>M wmt</i>	1.95	1.92
Iron ore sold	<i>M wmt</i>	2.52	1.12
Financials:			
Sales revenue (including realised hedging gains/losses)	<i>\$m</i>	432.0	152.0
Interest income	<i>\$m</i>	6.5	0.7
Cost of sales	<i>\$m</i>	(292.7)	(136.8)
Gross profit	<i>\$m</i>	145.7	16.0
Other income, including rail credit and Mid-West divestment	<i>\$m</i>	43.1	8.5
Impairment of property, plant and equipment	<i>\$m</i>	-	(0.9)
Administration and other expenses	<i>\$m</i>	(8.5)	(10.2)
Net foreign exchange and marked-to-market movements*	<i>\$m</i>	(2.9)	(0.1)
Finance expenses	<i>\$m</i>	(2.5)	(2.5)
Profit before tax	<i>\$m</i>	175.1	10.8
Tax benefit/(expense)	<i>\$m</i>	(36.3)	(3.5)
Net profit after tax	<i>\$m</i>	138.7	7.4
Totals may not add due to rounding. *Marked-to-market movements comprise realised and unrealised foreign exchange, commodity hedging and financial asset movements.			

Earnings Summary

Mount Gibson Iron Limited (**Mount Gibson** or the **Company**) recorded a net profit after tax of \$138.7 million in the half-year to 31 December 2023, compared with \$7.4 million in the prior corresponding period. The significantly increased earnings reflected strong operational improvement and record half-yearly high grade iron ore shipments from Koolan Island during the reporting period.

Sales revenue totalled \$432.0 million Free on Board (**FOB**) including favourable provisional pricing adjustments of \$32.2 million and realised foreign exchange and iron ore hedging losses of \$4.4 million. Interest revenue totalled \$6.5 million for the period, and other income reflected various items including a gain of \$35.9 million on the July 2023 divestment of the Company's former Mid-West iron ore mining and infrastructure interests to Fenix Resources Limited (**Fenix**), fully franked dividends of \$1.2 million received from Fenix, insurance receipts of \$2.3 million and rail credit income of \$1.9 million.

The cost of sales totalled \$292.7 million being a unit cost of \$116 per wet metric tonne (**wmt**) sold FOB, and sales revenue equated to an average realised price of \$171/wmt FOB, giving rise to an earnings margin of \$55/wmt shipped. Given the substantial non-cash depreciation and amortisation charges for the Koolan Island operation as it enters its final few years, cash costs were considerably lower and the cash margin was considerably higher, as discussed further below.

Koolan Island

Significant operational progress continued at Koolan Island following completion in the prior year of the bulk waste stripping program, upper footwall ground support activities and processing plant repairs. Consequently, the focus of activity was on substantially increased high grade ore production and the sale of previously stockpiled ores to generate cashflow and accelerate the rebuild of the Company's cash and investment reserves.

Mining and processing

High-grade ore production and mine performance improved as mining access to the high grade ore zones within the Main Pit expanded and the waste-to-ore stripping ratio reduced substantially as scheduled.

Total material movement reduced by 60% to 3.4 Mwmt of waste and ore in the half-year period, including 1.95 Mwmt of high grade ore. This compared with total material movement of 8.6 Mwmt of waste and ore in the prior corresponding half-year period, of which 1.9 Mwmt was high grade ore. The waste-to-ore stripping ratio, which is a key cost driver for the Koolan Island operation, consequently averaged just 0.7:1 compared with 3.5:1 in the December 2022 half-year. Although the strip ratio will rise for limited periods in the next 12 months in line with haul ramp repositioning and waste extraction cycles in the Main Pit, it is expected to remain at a low average rate of approximately 1.5:1 over the remaining three year mine life of the Koolan Island operation.

Ore production in the period primarily came from the western end of the Main Pit, which is expected to reach its planned final depth in the June 2024 quarter, at which point production will transition to the shallower eastern end of the pit. As previously reported, a localised rock fall occurred in a section of the eastern footwall (island-side) of the Main Pit in early August 2023. The event was detected in advance by the site's continuous radar monitoring systems and no people or equipment were placed at risk. The area was not actively being mined at the time and mining in that area had not been expected to recommence until later in the March 2024 quarter.

During the December quarter, the area surrounding the rock fall was cleared and the underlying exclusion zone maintained. The Company continues to review the mining schedule and production sequencing to minimise any potential impact on near term production. The affected area is located at the intersection of the western and eastern sections of Main Pit, which allows production to continue in the western end of Main Pit before transitioning to the eastern end of the pit at the start of the coming June quarter. Consequently, the affected area will be bypassed for at least the duration of the current wet season to enable any impacts of wet season conditions to be observed before proceeding with proposed remedial ground support activities. Production from higher benches in the eastern end of Main Pit has consequently been brought forward, with mining expected to resume in the affected area at a later date. Further updates will be provided in due course as remediation and mine sequencing approaches are finalised.

Processing volumes achieved planned rates throughout the reporting period, with a mobile crushing contractor supplementing the main plant to complete the drawdown of high-grade ore stockpiles established in prior periods. Consequently, processing throughput for the half-year exceeded ore production and totalled approximately 2.3 Mwmt, with the high grade ore stockpiles which totalled 1.1 Mwmt at the beginning of July 2023 now effectively depleted and shipped.

In late 2023, the Company committed to the installation of a tertiary crushing circuit to process harder oversized material from the lower central and eastern areas of the Main Pit on a more efficient and cost-effective basis. The estimated capital cost is approximately \$8 million, of which just over \$1 million was spent in the reporting period. The circuit is expected to be operational in April 2024.

Shipping

Sales for the half-year totalled a record 2.5 Mwmt of high-grade ore, consistent with the Company's guidance and 127% higher than the prior corresponding half-year. The 33 shipments completed in the half-year were all fines shipments with the exception of one trial "mixed lump" cargo, with an average grade for all shipments of 65.4% Fe. As previously indicated, sales guidance for FY24 incorporates an average of around four shipments per month for the second half of the year, allowing for potential weather-related interruptions during the wet season. Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000-80,000 tonnes of iron ore.

Financial performance

The mine generated a profit before interest and tax of \$144.2 million in the half-year, compared with \$19.8 million in the prior corresponding half-year. The improvement reflected the significantly increased ore sales volumes, a higher average ore grade, reduced unit costs and higher realised prices, and the benefit of

increased crushing capacity and available surplus high grade ore stockpiles built up while processing plant repairs were undertaken in the prior financial year.

Operating cashflow from Koolan Island for the half-year was \$244.3 million (before working capital movements) compared with a cash outflow of \$25.2 million in the prior corresponding half-year period.

Koolan Island's unit cash operating costs were \$59/wmt sold FOB in the half year before royalties and capital projects, in line with guidance and reflective of significantly reduced waste stripping activity and increased shipping volumes in the period. This compared with \$80/wmt sold FOB before inventory build, major project costs and royalties in the prior corresponding half-year. The lower cash costs in the half-year enabled Koolan Island to achieve a cash margin of \$97/wmt shipped.

Insurance

In relation to the August 2022 processing plant fire incident at Koolan Island, Mount Gibson holds property damage and business interruption insurance cover which has responded to this incident. The Company's property damage claim totalled approximately \$10 million, of which almost \$8 million was received in the previous financial year, with \$2.3 million received in the reporting period to complete the claim. The Company continues to liaise with its insurers regarding a business interruption claim resulting from the fire, however the timing, likelihood and potential quantum of any proceeds from such a claim remains uncertain at this time.

Mid-West Operations

The sale of the Company's former Mid-West iron ore mining and infrastructure assets to Fenix was completed in July 2023. Mount Gibson recorded a pre-tax gain of \$35.9 million on the transaction and also subsequently received a dividend totalling \$1.2 million on its Fenix shareholding.

The assets sold to Fenix comprised Mount Gibson's mining rights and other obligations at the suspended Shine iron ore mine near Yalgoo, the closed hematite iron ore mine at Extension Hill near Perenjori, rail sidings at Perenjori and Mullewa, two bulk materials storage sheds at Geraldton Port and various items of plant and equipment. Fenix also assumed rehabilitation and other contractual obligations associated with these assets, which at the time of sale were provisioned by Mount Gibson at \$8.2 million.

Consideration for the divestment comprised \$10.0 million in cash, 60 million Fenix shares and 25 million 5-year options in Fenix, exercisable in two equal tranches at \$0.25 and \$0.30 each respectively. At the end of the reporting period, the value of Mount Gibson's 8.6% shareholding and optionholding in Fenix was \$18.5 million.

The Company has retained its mining and exploration interests in the historic Talling Peak mining area, to the north of which it continues to explore prospective ground for base metals mineralisation, together with its Fields Find interest. Additionally, Mount Gibson retained its rights to the long-standing historical rail credit refund, as discussed below.

Mid-West Rail Refund/Credit

Following achievement of a contractual rail volume threshold at Extension Hill during the 2017/18 financial year, the Group earned an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, Arc Infrastructure, based upon the future usage by third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commenced upon termination of the Group's then existing rail agreements in early 2019, and was 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 contractual cumulative cap of this credit refund has now been reached, with receipt of the final payment of \$2.2 million expected in the March 2024 quarter. The entitlement has been recorded as a receivable as at balance date.

Market Conditions and Pricing

The Koolan Island operation benefited from progressively stronger iron ore prices and a weaker Australian dollar during the half-year reporting period. At the beginning of the period, the Platts Index price for 62% Fe iron ore fines to northern China was US\$111 per dry metric tonne (**dmt**) on a "cost and freight" (**CFR**) basis (i.e. including shipping freight) and subsequently increased to be US\$141/dmt CFR at period end and averaged US\$121/dmt over the six months.

Of more relevance to the Company, the Platts Index price for 65% Fe CFR fines started the half year at US\$123/dmt and was US\$151/dmt at the end of December for an average of US\$132/dmt over the period, representing an average premium of 4% per contained metal unit compared with 62% Fe fines. Shipping freight rates for Koolan Island to Chinese ports averaged approximately US\$13/wmt in the reporting period, with current freight rates being around US\$14/wmt shipped.

Accordingly, Koolan Island fines, grading at an average of 65.4% Fe, realised an average price of US\$116/dmt FOB (net of shipping freight) in the reporting period compared with US\$94/dmt FOB in the prior corresponding period.

The generally weaker Australian dollar provided added revenue benefit for the Company, averaging A\$1.00/US\$0.65 in the period. This compares with an average of US\$0.67 in the prior corresponding half-year period.

Derivatives

With the continued divergent move of iron ore prices and the A\$/US\$ foreign exchange rate into late 2023, resulting in an increase in the Australian dollar iron ore price, Mount Gibson added to its hedge book to protect a portion of its forecast production over the January to June 2024 period. At 31 December 2023, these hedge contracts covered a total of 420,000 tonnes (being 35,000-105,000 tonnes per month) at prices of A\$175 to A\$195 per tonne (CFR, including shipping freight), protecting a substantial cash margin on these hedged tonnages.

At 31 December 2023, the Group also held foreign exchange collar option contracts protecting the conversion of US\$9.0 million in the June quarter, with cap price protection at an average of A\$1.00/US\$0.690 and floor prices (below which Mount Gibson does not participate) at A\$1.00/US\$0.635.

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 \$358.5 million as at 31 December 2023, an increase of \$196.1 million over the half-year, as tabulated below:

Cashflow Summary	Koolan Island \$'000	Corporate & Other \$'000	Total \$'000
Operating cashflow before royalties and capital expenditure	312,335	4,758	317,093
Royalties	(41,607)	-	(41,607)
Capital expenditure:			
Mine development (including ground support activities)	(13,890)	-	(13,890)
Sustaining capital, equipment purchases, exploration and other	(12,499)	(552)	(13,051)
	244,339	4,206	248,545
Realised net hedging losses			(1,021)
Other financing activities and net working capital movements			(51,404)
Total movement in cash and investment reserves in the period			196,120

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

Exploration and Business Development

Mount Gibson continues to pursue potential investment opportunities consistent with the Company's objective to extend and grow its business. This strategy has targeted opportunities in the bulk commodities and base metals sectors in Australia. Equity positions with a combined market value of approximately \$5 million at balance date are held in a number of junior resource development companies where it is considered that future financing or strategic opportunities may arise. Significant time is being devoted to new project generation, field visits and discussions with third parties with regard to further potential acquisition and partnering opportunities.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, where it has earned a minimum 50% interest in prospective exploration tenure at the Butcher's Track prospect north of the Company's Talling Peak mine site. Work during the half-year included a large soil sampling program, comprising over 1,100 samples, focused on the broader region between the main Bailly and Gregory prospects at the Talling Project. The Company also continued to assess additional geophysical methods to assist with targeting at Talling, where it has identified several encouraging preliminary geological indicators, while its data review of Butcher's Track continued.

Group Guidance

Mount Gibson continues to target total iron ore sales of 3.8-4.2 Mwmt of high-grade ore from its Koolan Island operation in the 2023/24 financial year, at an average site cash operating cost of \$65-70/wmt sold FOB before royalties and capital projects.

Dividend

In line with the Company's stated approach, the Board will consider the payment of a dividend when it reviews the Company's full year financial performance and franking credit position in August 2024. The Company is presently utilising its existing carry-forward tax losses of \$34.3 million (30% tax-effected) as at 31 December 2023 and at this point has negligible franking credits available for distribution.

Financial Statements

Full details of Mount Gibson's financial results for the half-year ended 31 December 2023 are available in the Appendix 4D and financial statements released to the ASX today and published on the Company's website.

Authorised by:

The Board of Directors of Mount Gibson Iron Limited

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Mount Gibson will host an analysts and institutions teleconference today at **11:30am AEST Wednesday 21 February 2024**. 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.