



Mount Gibson Iron

## ASX ANNOUNCEMENT

21 August 2024

# Mount Gibson Iron Limited

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## Results for the 2023/24 Financial Year

- **High grade iron ore sales of 4.1 million wet metric tonnes (Mwmt) grading 65.3% Fe** for the 2023/24 financial year (FY24), up 36% on the prior year, for sales revenue of **\$667.7 million Free on Board (FOB)** (FY23: 3.0 Mwmt and \$450.6 million FOB).
- **Operating cashflow from Koolan Island of \$284.3 million** (FY23: \$95.3 million), reflecting significantly higher shipment volumes of high grade mined ore and stockpiles.
- **Profit before tax and impairments of \$211.6 million** (FY23: \$105.9 million). After non-cash impairment expenses totalling \$159.1 million and tax expenses of \$46.0 million including the accounting derecognition of deferred tax assets, **net profit after tax was \$6.4 million**, compared with \$5.2 million in the prior financial year.
- **Cash and investments totalled \$442.3 million** at 30 June 2024 (30 June 2023: \$162.4 million), **an increase of \$279.9 million** during the year. This excludes the \$20.7 million value of the Company's share and option holdings in Mid-West iron ore producer Fenix Resources Ltd at 30 June 2024.
- **The non-cash impairment charges** reflect the impact of recent weaker iron ore prices, effectively bringing forward depreciation and amortisation expenses that would otherwise be incurred in future years.
- Announcement of an **on-market share buyback** of up to 5% of Mount Gibson's issued shares. Refer the Company's separate announcement of today's date.
- **Targeted iron ore sales of 2.7–3.0 Mwmt for FY25** from Koolan Island, at a site cash operating cost of **\$95-100/wmt** shipped FOB including capitalised mining costs and before royalties. Guidance reflects temporarily lower shipments in the December 2024 half year as mining activity transitions as planned to the eastern areas of the Koolan Main Pit.

*Note: All figures are expressed in Australian dollars unless stated otherwise. Cash operating costs are reported FOB (loaded at Koolan Island) and include operating, sustaining capital and capitalised waste mining expenditure, before royalties.*

### Comment

Mount Gibson Chief Executive Officer, Peter Kerr, said: "The 2023-24 financial year was a positive one for Mount Gibson, with the solid underlying performance of the Koolan Island operation resulting in a trebling of operating cashflow and a substantial increase in Mount Gibson's cash and investment reserves to \$442 million at year end, not including the \$21 million investment in Fenix Resources.

"The Board has approved the commencement of an on-market share buyback of up to 5% of the Company's issued shares, reflecting confidence in the Company's outlook as it seeks to maximise cashflow from the remaining 2-3 year life of the Koolan Island operation. This underlying value is not presently reflected in the Company's share price, making a buyback an attractive value-accretive capital management initiative.

"Koolan Island remains Australia's highest grade direct shipping hematite iron ore mine, with the Company's clear strategy being to maximise Koolan Island's operating cashflow and to opportunistically pursue future resources investment opportunities."

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<b>Group Summary Results</b> (all currency expressed in Australian dollars unless stated otherwise)		<b>Year ended 30 June 2024 (FY24)</b>	<b>Year ended 30 June 2023 (FY23)</b>
<b>Physicals:</b>			
Ore mined	<i>M wmt</i>	3.75	4.00
Ore sold	<i>M wmt</i>	4.11	3.03
Average ore grade sold	<i>% Fe</i>	65.3%	65.3%
<b>Realised Price:</b>			
Average realised fines price, after shipping freight (FOB)	<i>US\$/dmt</i>	110	103
<b>Income Statement:</b>			
Sales revenue	<i>\$m</i>	667.7	450.6
Interest income	<i>\$m</i>	16.8	2.0
Cost of sales	<i>\$m</i>	(491.4)	(338.4)
<b>Gross profit</b>	<i>\$m</i>	<b>193.1</b>	<b>114.2</b>
Other income	<i>\$m</i>	45.5	27.1
Administration and other expenses	<i>\$m</i>	(19.0)	(16.6)
Net foreign exchange, hedging and financial asset losses	<i>\$m</i>	(3.6)	(2.3)
Finance costs	<i>\$m</i>	(4.4)	(6.1)
Insured repair and restoration costs – Koolan Island	<i>\$m</i>	-	(10.5)
<b>Profit before impairments and tax</b>	<i>\$m</i>	<b>211.6</b>	<b>105.8</b>
Impairment expenses	<i>\$m</i>	(159.1)	(75.4)
<b>Profit before tax</b>	<i>\$m</i>	<b>52.5</b>	<b>30.5</b>
Tax expense, including derecognition of deferred tax asset	<i>\$m</i>	(46.0)	(25.3)
<b>Profit after tax</b>	<i>\$m</i>	<b>6.4</b>	<b>5.2</b>
<b>Earnings per share</b>	<i>c/share</i>	0.53	0.43
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 \$6.4 million after pre-tax accounting impairments totalling \$159.1 million (FY23: net profit of \$5.2 million and impairments of \$75.4 million). These non-cash expenses reflect the impact of recent lower iron ore prices and market conditions on the assessment of the Company's accounting carrying values of the Koolan Island operation.

Underlying performance for FY24 was strong, with profit before tax and impairments doubling to \$211.6 million compared with \$105.9 million in FY23. This reflected operational improvement and increased sales from Koolan Island, particularly in the first half of the year in which the Company monetised high-grade ore stockpiles built up in the preceding year while it undertook repairs to the Koolan Island processing facility damaged by a fire in August 2022. Production and sales slowed in the June 2024 half year, reflecting stockpile depletion, planned completion of mining in the deeper western half of the Main Pit in June, and some resequencing of production in the upper eastern end of the pit following the August 2023 footwall rockfall.

Sales revenue for the year totalled \$667.7 million on ore sales of 4.1 Mwmt, near the upper end of guidance and equating to an average realised price of US\$110 per dry metric tonne (**dmt**) for Koolan Island fines. This compared with sales of 3.0 Mwmt, revenue of \$450.6 million and an average realised price of US\$103/dmt in the prior year.

Interest income totalled \$16.8 million in the year, compared with \$2.0 million in the prior period, and other income totalled \$45.5 million, including a \$35.9 million net gain from the divestment of the Company's former Mid-West iron ore mining and infrastructure interests to Fenix Resources Limited (**Fenix**) in July 2023, dividends of \$1.2 million received from Fenix, insurance receipts of \$3.8 million and the final Mid-West rail credit income of \$1.9 million.

The total cost of sales for FY24, including cash and non-cash costs plus royalties, was \$491.4 million on a FOB basis, equating to \$120/wmt FOB, compared with \$338.4 million and \$112/wmt FOB in the prior year. Excluding non-cash charges, unit cash operating costs before royalties and capital projects averaged \$74/wmt FOB sold, compared with \$77/wmt FOB in the prior financial year.

## **Koolan Island**

Significant operational progress continued to be achieved at Koolan Island during FY24 as the benefits of previous bulk waste stripping, upper footwall ground support programs and processing plant repairs were realised, and the operation benefited from the sale of stockpiled ores to accelerate cashflow generation and rapidly rebuild the Company's cash and investment reserves.

### *Mining*

Mine performance in FY24 reflected a reduction in the waste-to-ore stripping ratio in the Main Pit and the planned completion of mining in the Western end of the pit. Total ore and waste moved was 5.9 Mwmt, including 3.7 Mwmt of ore, compared with total movement of 12.9 Mwmt, including 4.0 Mwmt of ore, in the prior year. This reflected a reduced average stripping ratio of 0.6 tonnes of waste for every tonne of ore mined in FY24 compared with 2.2:1 in FY23. The stripping ratio is a key driver of operating costs at Koolan Island and although it will rise in the coming year in line with haul ramp repositioning and waste extraction cycles, it is currently anticipated to average approximately 1.8:1 over the remaining 2-3 year mine life of the Koolan Island operation.

Ore production in the period primarily came from the western end of the Main Pit, and some upper benches in the upper eastern end of the pit where production was re-sequenced and brought forward following the August 2023 rockfall on the central footwall (island-side). Following detailed geotechnical assessment, ground support remediation activities commenced in the June 2024 quarter. This work comprises a sequenced program of on-wall drilling and rock-bolting, plus the installation of protective mesh and a safety barrier fence to enable the high-grade ore zones directly beneath this area to be safely extracted.

Mining in the western end of the Main Pit was completed in June 2024, at a planned final depth of approximately 170 metres below sea (mean tide) level. A water collection sump has since been established in the western end to assist in efficient water management and discharge from the Main Pit. Mining operations are now transitioning to the central and eastern parts of the Main Pit as planned, involving a reconfiguration of the primary haul ramp. The transition work is occurring during the September 2024 quarter in which shipment rates and cargo grades will be temporarily reduced.

### *Processing*

Processing volumes increased by 12% over the year to 4.0 Mwmt, compared with 3.6 Mwmt the prior year, weighted to the December 2023 half year in which the Company processed the substantial high grade ore stockpiles generated in the preceding financial year. The ore stockpiles were depleted by late December 2023 with processing through the plant being supplemented by a mobile crushing contractor. Since then, processing has been more closely aligned with ex-pit ore production which will continue over the remaining mine life. In order to more efficiently and cost-effectively process the harder oversized material expected to be mined from the central and eastern areas of the Main Pit, the Company committed to the installation of a tertiary crushing circuit. At the end of the financial year, work was nearing completion with commissioning activities now underway.

### *Sales*

Koolan Island ore sales totalled 4.1 Mwmt, near the upper end of the Company's sales guidance of 3.8-4.2 Mwmt, including a record 2.5 Mwmt in the December half year. Sales from Koolan Island are made under long term offtake agreements on FOB terms, 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 current and subsequent periods.

#### *Financial performance*

Operating cashflow generated from Koolan Island for the year totalled \$284.3 million compared with \$95.3 million in the previous year on the back higher sales volumes and prices, reduced unit cash costs and the sale of previously mined high-grade ore stockpiles in the December 2023 half year. Revenues for the year totalled \$667.7 million with the cash outflow items being cash operating and capital costs (\$319.3 million) and royalties (\$64.1 million).

Koolan Island generated a profit before interest, tax and impairments of \$181.3 million in FY24, compared with \$118.4 million in the prior year. After impairment expenses totalling \$159.1 million (FY23: \$74.3 million), the operation generated a profit before interest and tax of \$22.2 million (FY23: \$44.1 million).

#### *Insurance*

In relation to the August 2022 processing plant fire at Koolan Island, the Company's property damage and business interruption insurance cover responded to the incident. The property damage claim totalled \$10.4 million, of which the majority was received in the prior financial year and the balance of \$2.7 million was received in FY24. The business interruption claim was in the process of being finalised with insurers at year end and has subsequently been agreed for the amount of \$27.3 million. It is anticipated these claim proceeds will be received in the September 2024 quarter.

#### **Mid-West Operations**

The Company has ceased to operate the Mid-West as a separate segment since completion of the divestment of most of its former Mid-West iron ore mining and infrastructure assets to Fenix 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 share and option holdings in Fenix was \$20.7 million. Subsequent to balance date, Mount Gibson has exercised the tranche of \$0.25 per share options, taking its shareholding in Fenix to 10.06%.

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 exploration interest.

#### *Mid-West Rail Refund/Credit*

Mount Gibson retained its rights to the long-standing historical rail credit refund resulting from third party use of certain parts of the Mid-West rail network. Following achievement of a contractual rail volume threshold at Extension Hill during prior years, 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 was reached in the year, with the final credit amount of \$1.9 million reflected in other revenue for FY24.

## Market Conditions and Pricing

Iron ore prices were volatile during FY24 amid continued global geopolitical tension and economic uncertainty. The benchmark Platts 62% Fe CFR price (including shipping freight) averaged US\$119/dmt in FY24 compared with US\$110/dmt in FY23, but fluctuated significantly over the year, particularly in the June 2024 half-year. The price started the year at US\$111/dmt and rose to over US\$140/dmt in the first half, before retreating and briefly dipping below US\$100/dmt in April 2024 and ending the year at US\$107/dmt.

Of more relevance to Mount Gibson, the Platts CFR fines price for high-grade 65% Fe fines products was similarly volatile and averaged US\$131/dmt for the year compared with US\$123 in the prior year. This equated to an average grade-adjusted premium of 5% per contained metal unit compared with 62% Fe fines, slightly lower than the premium of 7% in the prior year. Price volatility, particularly in the second half, was partly offset by the weaker Australian dollar which averaged A\$1.00/US\$0.656 for the year compared with US\$0.673 in FY23.

## Impairment and Derecognition of Deferred Tax Assets

As previously indicated, an impairment expense totalling \$159.1 million was recorded to reflect the impact of recent weaker iron ore prices on the recoverable carrying values of the Koolan Island non-current assets. The impairments comprised pre-tax charges for deferred stripping costs (\$62.0 million), other mine properties (\$59.5 million) and property, plant and equipment (\$37.6 million). These expenses have the effect of bringing forward non-cash depreciation and amortisation charges that would otherwise have been incurred in future periods.

The Company has also expensed an amount of \$30.2 million for the derecognition of deferred tax assets reflecting the impact of current weaker iron ore prices on the accounting book value of carried forward tax losses and temporary timing differences. This accounting treatment does not impact the income tax position in which the Company retains the right to utilise available carried forward tax losses and other deductible balances.

## Cashflow and Cash/Investments Position

The Group's cash and cash equivalents, term deposits and financial assets held for trading totalled \$442.3 million at 30 June 2024, an increase of \$279.9 million compared with the balance at 30 June 2023 of \$162.4 million. The balance at 30 June 2024 excludes the \$20.7 million value of the Company's share and option holdings in Mid-West iron ore producer Fenix Resources Ltd. The year-end cash balance is also higher than previously published in the Company's June 2024 quarter activities report through the inclusion under applicable accounting standards of accrued interest on the Company's term deposits. Mount Gibson does not have bank borrowings.

## Business Development and Exploration

Mount Gibson continues to pursue potential investment opportunities consistent with the Company's objective to extend and grow its business into new operations, targeting opportunities in the bulk commodities (iron ore, steel-making coal and bauxite) and base metals (copper, lead, zinc) sectors, primarily in Australia. Equity positions with a combined market value of \$18.5 million at 30 June 2024 were held in a small number of resource development companies where it is considered that future financing or strategic opportunities may arise.

Significant time is being devoted to new project generation, site visits and discussions with third parties regarding further potential acquisition and partnering opportunities.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in Western Australia and Queensland. In WA's Mid-West region, the Company completed follow-up work at the Baillys prospect near the former Tallering Peak iron ore mine, including a ground moving loop electromagnetic survey, as well as continuing a data review and planning additional mapping at the Butcher's Track project north of Tallering Peak. Negotiations also continued regarding potential farm-in and joint venture arrangements to prospective base metals exploration projects in the WA Goldfields region.

## Group Guidance

Mount Gibson is targeting total iron ore sales of 2.7–3.0 Mwmt of high-grade ore from its Koolan Island operation in FY25, at a unit cash operating cost of \$95-100/wmt inclusive of capitalised mining costs and before royalties.

The annual guidance reflects mining activities in the Koolan Island Main Pit, including the planned works required to reposition the primary haul ramp and footwall remediation ground support activities which are necessary for mining and shipping rates to increase through FY25 and the following financial year.

## On-Market Share Buyback

The Mount Gibson Board has approved the commencement of an on-market share buyback of up to 5% of the Company's issued shares, reflecting confidence in the Company's outlook as it seeks to maximise cashflow from the remaining 2-3 year life of the Koolan Island operation. This underlying value is not presently reflected in the Company's share price, making a buyback an effective value-accretive capital management initiative. The buy-back will commence in mid-September 2024 and be undertaken over a 12 month period, unless completed or terminated earlier.

## Financial Statements

Full details of Mount Gibson's financial results for the year ended 30 June 2024 are available in the Appendix 4E and financial statements released to the ASX today and published on the Company's website.

## Annual General Meeting (AGM)

Mount Gibson will be holding a "hybrid" AGM in Perth on 20 November 2024. 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 2024.

### *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 2024 AGM is 17 September 2024.

### **Authorised by:**

The Board of Directors of Mount Gibson Iron Limited

For further information:

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Mount Gibson will host an analysts and institutions teleconference at **11:00am AEST today, Wednesday 21 August 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.