



Mount Gibson Iron Limited

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ASX ANNOUNCEMENT

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December 2024 Half-Year Financial Results

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

- **High grade iron ore sales of 1.3 million wet metric tonnes (Mwmt)** grading 64.6% Fe for net sales revenue of **\$160.3 million** Free on Board (FOB) (1HFY24: 2.5 Mwmt and \$432.0 million FOB).
- **Profit before tax and impairments of \$18.7 million** (1HFY24: \$175.1 million).
- **Net loss after tax and impairments of \$71.7 million** (1HFY24: net profit of \$138.7 million) including non-cash impairments totalling \$77.5 million and the derecognition of deferred tax assets totalling \$30.3 million, reflecting the effect of weaker recent iron ore prices and outlooks on the accounting carrying value of the Koolan Island assets.
- **Operating cashflow of \$21.2 million** comprising \$19.4 million from Koolan Island plus interest and other corporate income of \$11.1 million, less corporate, administration and exploration costs totalling \$9.3 million.
- **Cash and investment reserves of \$437.1 million** at 31 December 2024 (30 June 2024: \$442.3 million), plus the Company's 9.8% equity interest in Fenix Resources Ltd which had a market value of \$20.0 million at period end.
- Mount Gibson maintains its FY25 iron ore sales guidance of **2.7-3.0 Mwmt** at a targeted cash operating cost* of **\$95-100/wmt FOB**.
- **The existing on-market share buyback** has been increased from 5% to up to 10% of the Company's issued shares.

** 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 delivered a steady underlying financial performance in the first half of the 2024/25 financial year, notwithstanding the effect on our headline result of non-cash accounting impairments to account for recent weakness in iron ore prices and a more volatile market outlook.

"The significant activity undertaken at Koolan Island during the December half-year to transition operations to the eastern half of the Main Pit has positioned the Company to achieve its targeted ore sales for the financial year and to progressively lift sales thereafter to maximise cashflow over the remaining two-year life of the Koolan Island operation. In parallel, the Company has increased its on-market share buy-back as part of its capital management program.

"With \$437 million in cash and investment reserves on hand – excluding the Company's holding in Fenix Resources – and further positive cashflow anticipated from Koolan Island over the next two years, Mount Gibson is well positioned to accelerate its pursuit of new resources opportunities in the year ahead."

Summary Results (all currency expressed in Australian dollars)		Half-Year ended 31-Dec-2024	Half-Year ended 31-Dec-2023
Physicals:			
Iron ore mined	<i>M wmt</i>	1.10	1.95
Iron ore sold	<i>M wmt</i>	1.27	2.52
Financials:			
Sales revenue (including realised hedging gains/losses)	<i>\$m</i>	160.3	432.0
Interest income	<i>\$m</i>	10.1	6.5
Cost of sales	<i>\$m</i>	(162.3)	(292.7)
Gross profit	<i>\$m</i>	8.0	145.7
Other income, including insurance proceeds	<i>\$m</i>	29.4	43.1
Impairment of financial assets	<i>\$m</i>	(1.7)	-
Impairment of property, plant and equipment	<i>\$m</i>	(13.9)	-
Impairment of mine properties	<i>\$m</i>	(61.9)	-
Exploration expenses	<i>\$m</i>	(2.7)	-
Administration and other expenses	<i>\$m</i>	(9.2)	(8.5)
Net foreign exchange and marked-to-market movements*	<i>\$m</i>	(5.1)	(2.9)
Finance expenses	<i>\$m</i>	(1.8)	(2.5)
Profit/(loss) before tax	<i>\$m</i>	(58.8)	175.1
Tax expense	<i>\$m</i>	(12.9)	(36.3)
Net profit/(loss) after tax	<i>\$m</i>	(71.7)	138.7
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 loss after tax of \$71.7 million in the half-year to 31 December 2024, compared with a net profit of \$138.7 million in the prior corresponding period. The result reflects reduced sales volumes and iron ore prices compared with the prior corresponding half-year and the impact of non-cash impairments totalling \$77.5 million and the derecognition of deferred tax assets totalling \$30.3 million due to continued weakness in prevailing iron ore prices. These non-cash accounting impairments have the effect of bringing forward non-cash depreciation and amortisation charges that would otherwise be incurred in future periods.

Profit before tax and impairments totalled \$18.7 million in the half-year from the sale of 1.3 Mwt of high-grade iron ore and sales revenue of \$160.3 million Free on Board (**FOB**). This compared with a pre-tax profit of \$175.1 million in the prior corresponding period in which the Company benefited from the availability of substantial high-grade ore stockpiles accumulated during the prior period.

Other income for the December 2024 half-year included interest revenue of \$10.1 million and insurance receipts totalling \$27.3 million relating to final settlement of the business interruption component of the August 2022 Koolan Island processing plant fire claim.

Koolan Island

Operations progressed in line with the Company's objective of safely maximising production and sales of high-grade iron ore over Koolan Island's remaining two year mine life, while building the Company's cash and investment reserves for deployment into new resources investment opportunities.

Mining

High-grade ore production and mine performance largely tracked to plan over the December half-year, as activity transitioned to the eastern half of the Koolan Island Main Pit, which will be the primary source of high grade ore for the remaining life of the operation. This transition follows completion of mining in the western end of the pit in June 2024, with the western area now established as a water collection sump to assist in efficient groundwater management activities.

Ore production and grades were consequently constrained in the September quarter while the necessary reconfiguration of the primary in-pit haul ramp was undertaken and the new switchback was constructed in the centre of the pit. Extraction of the former eastern haul ramp to widen the eastern half of the pit also commenced to provide future access to the lower levels of the high grade orebody and remains on schedule to be completed in mid-2025.

Reflecting this in-pit activity, total material movement increased by 51% to 5.1 Mwmmt of waste and ore in the December half-year, compared with 3.4 Mwmmt in the prior corresponding period, while high-grade ore production reduced 44% to 1.1 Mwmmt compared with 1.9 Mwmmt in the prior corresponding period. The waste-to-ore stripping ratio, which is a key driver of costs at Koolan Island, reflected this temporary phase of activity in the Main Pit to average 3.7:1 in the December half-year, compared with 0.7:1 in the December 2023 half-year. While the strip ratio will vary in line with waste extraction cycles in the Main Pit, it is expected to steadily reduce through the current financial year and to average less than 2:1 for the remaining mine life.

Ground support remediation work also progressed as scheduled on the central-eastern footwall (island side) of the Main Pit where a rockfall occurred in August 2023. This work involves a program of on-wall anchor drilling, grouting and installation of protective mesh and a safety barrier fence, which is necessary for safe access to the high-grade ore zones directly beneath this area. The on-wall drilling program was approximately 80% complete at the end of the reporting period and is anticipated to conclude in mid-2025, subject to there being no unforeseen major disruption resulting from the northern Australian wet season which commenced in December and typically extends through to April.

Processing

Processing volumes were more closely aligned with ex-pit ore production in the reporting period as expected, following depletion in the prior corresponding half-year of the substantial ore stockpiles assembled while processing capacity was constrained in the months following the August 2022 fire incident in the Koolan Island processing plant. Consequently, a total of 1.1 Mwmmt of ore was processed in the reporting period, weighted to the December quarter, compared with 2.3 Mwmmt in the prior corresponding half-year.

The newly installed tertiary crushing circuit was commissioned early in the reporting period, enabling more efficient and cost-effective processing of the harder material being extracted from the eastern sections of the Main Pit orebody.

Shipping

Sales for the half-year totalled 1.3 Mwmmt, consistent with the Company's guidance for the 2024/25 financial year, compared with 2.5 Mwmmt in the prior corresponding half-year. The Company completed seven shipments grading an average of 63.7% Fe in the production-constrained September 2024 quarter, and nine shipments grading an average of 65.2% Fe in the December 2024 quarter. The Company anticipates stronger sales in the June 2025 half-year.

Financial Performance

The mine generated a profit before interest, impairments and tax of \$26.3 million in the half-year compared with \$144.1 million in the prior corresponding half-year, when sales were boosted by the monetisation of substantial opening stockpiles of high-grade ore. Earnings in the December 2024 half-year period reflected the temporary impact of in-pit reconfiguration activity on ore volumes and grade, as well as lower market prices. After impairment expenses totalling \$75.8 million, the operation generated a loss before interest and tax of \$49.5 million in the reporting period.

Operating cashflow generated from Koolan Island for the half-year totalled \$19.4 million compared with cashflow of \$244.3 million previously. Cash inflows included sales revenues totalling \$160.1 million and insurance claim proceeds of \$27.3 million, while cash outflow items comprised cash operating and capital costs of \$152.3 million and royalties of \$15.7 million.

Unit cash operating costs before royalties and capital projects averaged \$96/wmt sold FOB for the half-year, in line with guidance and reflective of ore production volumes and a higher waste-to-ore stripping ratio. This compared with \$59/wmt sold FOB before royalties and capital projects in the prior corresponding half-year.

Market Conditions and Pricing

Iron ore market conditions were volatile in the December 2024 half-year, with the Platts Index price for 62% Fe iron ore fines to northern China on a "cost and freight" (**CFR**) basis (i.e. including shipping freight) beginning the period at US\$110 per dry metric tonne (**dmt**) and subsequently dipping below US\$100/dmt several times, including to a low of US\$89/dmt in September 2024. The price ended the period at US\$100/dmt and averaged US\$102/dmt over the half year, compared with US\$121/dmt in the prior corresponding half year period.

Of more relevance to the Company, the Platts Index CFR price for high grade 65% Fe fines started the half-year at US\$126/dmt and ended the period at US\$114/dmt to average \$US116/dmt for the half, well below the US\$132/dmt average of the prior corresponding period. This was partly offset by an increase in the average grade-adjusted premium for 65% Fe material, compared to 62% Fe fines, to 9% per contained metal unit, compared with 4% in the prior corresponding half-year, providing an element of price protection for the high grade Koolan Island iron ore products.

Shipping freight rates for Koolan Island to Chinese ports averaged approximately US\$12-13/wmt in the half year period, broadly similar to the prior corresponding period.

Accordingly, Koolan Island fines grading an average of 64.6% Fe realised an average price of US\$84/dmt FOB compared with US\$116/dmt FOB grading an average of 65.4% Fe in the prior corresponding period. The Australian dollar averaged A\$1.00/US\$0.66 in the half-year, compared with US\$0.65 in the prior corresponding period, steadily declining over the six months from US\$0.67 at the beginning of the period to US\$0.62 by the end of December 2024, providing an important natural hedge against weaker US dollar-denominated iron ore prices.

Group Cashflow and Cash/Investments Position

For the December half-year period, the Group's operating cashflow totalled \$21.2 million, comprising \$19.4 million from Koolan Island plus interest and other income of \$11.1 million, less corporate, administration and exploration costs totalling \$9.3 million.

The Group's cash and cash equivalents, term deposits and financial assets held for trading totalled \$437.2 million at 31 December 2024 (excluding the Company's interest in Fenix Resources), a decrease of \$5.1 million from the balance at 30 June 2024. Mount Gibson does not have bank borrowings.

Insurance

During the reporting period, Mount Gibson received insurance proceeds totalling \$27.3 million to finalise its insurance claim relating to the August 2022 processing plant fire incident at Koolan Island.

Derivatives

As at 31 December 2024, the Company held commodity forward sales contracts totalling 290,000 tonnes of iron ore, with maturity dates over the period January to June 2025. The average price for 62% Fe fines (CFR) at each maturity date is between \$156 and \$163 per tonne. These commodity forward sales contracts are an effective price protection mechanism for future sales and cashflow margins, and had a net marked-to-market unrealised loss position of \$1.4 million at balance date.

At balance date the Company also held foreign exchange collar option contracts covering the conversion of US\$24.0 million into Australian dollars over the period January 2025 to June 2025 with an average cap price of \$1.00/US\$0.6675 and an average floor price of \$1.00/US\$0.6064. These collar contracts had a marked-to-market unrealised net loss position at balance date of \$0.6 million.

Impairment

As disclosed in the Company's financials, an impairment expense of \$75.8 million has been recorded as a result of recent weaker iron ore prices impacting the recoverable carrying values of the Koolan Island non-current assets. The impairment expense has been allocated to deferred stripping costs (\$33.6 million), other mine properties (\$28.2 million) and property, plant and equipment (\$13.9 million). These expenses have the effect of bringing forward non-cash depreciation and amortisation charges that would otherwise be incurred in future periods. In addition to the above, the Group recognised an impairment expense of \$1.7 million in relation to financial assets held for trading.

Derecognition of Deferred Tax Asset

In accordance with applicable accounting standards, the amount of \$30.3 million of the existing deferred tax asset relating to carried forward tax losses and temporary timing differences has been derecognised and is included in the Group's tax expense for the half-year ended 31 December 2024. This accounting treatment does not impact the income tax position in which the Company retains the right to utilise all its available carried forward tax losses and deductible tax balances.

Exploration and Business Development

Mount Gibson continues to examine and invest in opportunities predominantly within the bulk materials (iron ore, steel-making coal and bauxite) and base metals (copper, lead, zinc) sectors, focused in Australia. Equity positions are held in a number of junior resources companies where it is considered that future financing and strategic opportunities may arise. The market value of these holdings totalled \$17.4 million at 31 December 2024. These holdings are in addition to the Company's 9.8% shareholding and 12.5 million options in Mid-West iron ore producer Fenix Resources Limited, valued at \$20.0 million at period end.

During the period, the Company expensed \$2.7 million in historic deferred exploration costs, of which \$2.5 million was carried forward expenditure from 30 June 2024 in relation to exploration work undertaken in the Mid-West region. The Company continues to assess regional exploration opportunities for base metals deposits particularly in Western Australia and Queensland. Minimal field work was undertaken on the Company's Tallering Peak exploration tenements in the Mid-West, with activity focused on data reviews to assist preparation of the preliminary exploration plan for 2025 and aiding new project generation. Negotiations also continued regarding potential farm-in and joint venture arrangements for prospective exploration projects.

Share buy-back

On 21 August 2024, the Company announced to the Australian Securities Exchange an on-market share buy-back of up to 5% of its ordinary shares as part of its capital management strategy. The share buy-back program commenced in September 2024 and will be undertaken over a 12-month period unless completed or terminated earlier. As at 31 December 2024, the Company had bought back 15,295,372 shares of which 14,919,530 shares had settled at balance date, representing 1.2% of the Company's total shares on issue, at an average price of \$0.313 per share.

The Company has approved an increase in the share buy-back program from 5% to up to 10% of its ordinary shares. The share buy-back is set to continue until 15 September 2025 unless completed or terminated earlier, and otherwise on the same terms announced to the ASX on 21 August 2024.

Group Guidance

Mount Gibson is targeting total iron ore sales of 2.7–3.0 Mwmt from Koolan Island in the 2024/25 financial year, at a targeted unit cash operating cost of \$95-100/wmt before royalties and capital projects. This guidance reflects the scheduled mining activities in the Koolan Island Main Pit that are necessary for mining and shipping rates to increase through 2024/25 and in the following financial years.

Financial Statements

Full details of Mount Gibson's financial results for the half-year ended 31 December 2024 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 AEDT (8:30am AWST) Wednesday 19 February 2025**. Investors will be able to listen to the teleconference by dialling **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.