APPENDIX 4E

MOUNT GIBSON IRON LIMITED
30 JUNE 2022 ANNUAL FINANCIAL STATEMENTS

This Full Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

24 August 2022

Current Reporting Period:	Year ended 30 June 2022
Previous Corresponding Period:	Year ended 30 June 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Down 58% to	$142.7
Profit before tax	Down 369% to	$(248.2)
Net profit after tax attributable to members of the Company	Down 372% to	$(174.1)

DIVIDENDS

Mount Gibson Iron Limited has declared it does not propose paying a dividend on ordinary shares in respect of the 2021/22 financial year.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	30 June 2022	30 June 2021
Net tangible assets	*A$ mill*	$533.1	$719.7
Fully paid ordinary shares on issue at Balance Date	*#*	1,210,568,033	1,185,917,178
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	44.0 cents	60.7 cents

DETAILS OF ENTITIES OVER WHICH CONTROL WAS GAINED OR LOST DURING THE PERIOD

None.

STATUS OF AUDIT

This full-year report is based on accounts that have been audited.

COMMENTARY

This report should be read in conjunction with the attached financial statements for the year ended 30 June 2022 together with any public announcements made by Mount Gibson Iron Limited during and after the year ended 30 June 2022 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.

Mount Gibson Iron

MOUNT GIBSON IRON LIMITED AND CONTROLLED ENTITIES

ABN 87 008 670 817

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2022

Financial Report

For the year ended 30 June 2022

Directors' Report

Your Directors submit their report for the year ended 30 June 2022 for Mount Gibson Iron Limited (**Company** or **Mount Gibson**) and the consolidated group incorporating the entities that it controlled during the financial year (**Group**).

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Lee Seng Hui LLB (Hons)
Chairman, Non-Executive Director

Mr Lee was appointed as a Non-Executive Director on 29 January 2010, Non-Executive Deputy Chairman on 14 December 2012, and Chairman on 18 February 2014. Mr Lee graduated with Honours from the University of Sydney Law School. Mr Lee is the Chief Executive and an Executive Director of Allied Group Limited which is listed on the Hong Kong Stock Exchange. He is also the Chairman and a Non-Executive Director of Tian An China Investments Company Limited, and a Non-Executive Director of APAC Resources Limited, one of Mount Gibson's substantial shareholders. Mr Lee was previously the Chairman and a Non-Executive Director of Asiasec Properties Limited. Mr Lee has not served as a director of any other ASX or Hong Kong listed companies during the past three years.

Simon Bird B.Acc.Science (Hons) CA, FCPA, FAICD
Lead Independent Non-Executive Director

Mr Bird was appointed as an Independent Non-Executive Director on 23 February 2012. Mr Bird is the Lead Independent Director and Chairman of the Audit and Financial Risk Committee. Mr Bird is a Chartered Accountant, Fellow of CPA Australia and Fellow of the Australian Institute of Company Directors. Mr Bird has over 35 years of international corporate experience, including holding the positions of Finance Director with Xpansiv Limited, General Manager Finance at Stockland Limited, Chief Financial Officer of GrainCorp Limited, and Chief Financial Officer of Wizard Mortgage Corporation. He was also Chief Executive Officer of ASX-listed King Island Scheelite Limited, a former Managing Director of ASX-listed Sovereign Gold Limited, a former Chairman of ASX-listed Rawson Resources Limited and ASX-listed Tubi Group and a former Director of CPA Australia Limited. Mr Bird is a non-executive Chairman of ASX-listed Maronan Metals Limited and former Director of ASX-listed Pacific American Holdings Limited.

Alan Jones CA
Independent Non-Executive Director

Mr Jones was appointed as an Independent Non-Executive Director on 28 July 2006 and is the current Chairman of the Nomination, Remuneration and Governance Committee. Mr Jones is a Chartered Accountant with extensive senior management and board experience in listed and unlisted Australian public companies, particularly in the construction, engineering, finance and investment industries. Mr Jones has been involved in the successful merger and acquisition of a number of public companies in Australia and internationally. He is a Non-Executive Director of Mulpha Australia Ltd, Sun Hung Kai & Co Ltd (Hong Kong), Allied Group Ltd (Hong Kong), Allied Properties (H.K.) Limited and Air Change International Limited.

Russell Barwick Dip.Min.Eng., FAICD, FAusIMM
Independent Non-Executive Director

Mr Barwick was appointed as an Independent Non-Executive Director on 16 November 2011 and is Chairman of the Operational Risk and Sustainability Committee. Mr Barwick is a mining engineer with 45 years of technical, operational, managerial and corporate experience in international mining companies covering various commodities. He has worked for Bougainville Copper Limited (CRA), Pancontinental Mining Ltd (Jabiluka Uranium) and CSR Limited (coal). He has spent 16 years with Placer Dome Asia Pacific in key development, operational and corporate roles in numerous countries culminating in his appointment as Managing Director of Placer Niugini Ltd. He then served as Managing Director of Newcrest Mining Limited (2000 to 2001). For the four years to the end of 2006, Mr Barwick was the Chief Operating Officer of Wheaton River Minerals Ltd and Goldcorp Inc., based in Vancouver, Canada. He was subsequently the Chief Executive Officer of Canada-based Gammon Gold Inc. before returning to Australia in 2008. His extensive geographic and corporate mining experience ranges from: Latin America, North America, Europe, Africa and Asia Pacific. He is currently the Chairman of ASX-listed Red Metal Ltd, a non-executive director of ASX-listed Lithium Power International and its unlisted associate Minera Salar Blanco S.A. (Chile) and former non-executive director of Regis Resources Ltd.

Professor Paul Dougas B.Eng (Chem), M.Eng.Science, FAICD, CEng., Hon Fellow Engineers Australia, FATSE
Independent Non-Executive Director

Professor Dougas was appointed as an Independent Non-Executive Director on 16 November 2011 and is Chairman of the Contracts Committee. He has 40 years of design, process, project engineering, managerial, commercial and corporate experience having commenced his career in the Melbourne & Metropolitan Board of Works before joining engineering firm Sinclair Knight Merz (**SKM**) in 1978. From initial technical roles, he assumed leadership roles in Sydney before returning to Melbourne as Associate Director and Victorian Branch Manager in 1985. In 1995 he was appointed Managing Director Elect and Director of Marketing before becoming Chief Executive Officer and Managing Director in 1996. For the following 15 years, he led a significant expansion of SKM locally and internationally involving more than 50 local and international acquisitions. Professor Dougas was a Non-Executive Director of ConnectEast Ltd from 2009 until its takeover in September 2011 and was also on the SKM Board from 1990 until 2011. He is currently a Non-Executive Director of Epworth Healthcare and is a former Chairman of the Global Carbon Capture and Storage Institute, and Norman, Disney & Young and a former Non-Executive Director of Beacon Foundation and Calibre Group Limited. Professor Dougas is also a Professorial Fellow in the School of Engineering at Melbourne University and a staff member.

Ding Rucai
Non-Executive Director

Mr Ding was appointed to the Board on 12 December 2019. Mr Ding is the Chairman and executive director of Hong Kong listed Shougang Fushan Resources Group Limited (**Shougang Fushan**). Shougang Fushan is Mount Gibson's second largest shareholder. Shougang Fushan also hold a significant share interest in APAC Resources Limited, Mount Gibson's largest shareholder. Mr. Ding is also a director of Shougang Holding (Hong Kong) Limited, a company wholly owned by Shougang Group Co., Ltd. A senior engineer with a doctoral degree in ferrous metallurgy from the University of Science and Technology Beijing, Mr Ding has more than 30 years' experience in the steel and coal resources industry, having held a variety of senior management and executive roles since joining the Shougang organisation in 1989.

Andrew Ferguson
Alternate Director to Lee Seng Hui

Mr Ferguson was appointed Alternate Director to Lee Seng Hui on 24 September 2012. Mr Ferguson is Chief Executive Officer and an Executive Director of APAC Resources Ltd, one of Mount Gibson's substantial shareholders. Mr Ferguson holds a Bachelor of Science Degree in Natural Resource Development and worked as a mining engineer in Western Australia in the mid 1990's. He has over 20 years of experience in the finance industry specialising in global natural resources. In 2003, Mr Ferguson co-founded New City Investment Managers in the United Kingdom. He was the former co-fund manager of City Natural Resources High Yield Trust, and managed New City High Yield Trust Ltd and Geiger Counter Ltd. He has also worked as Chief Investment Officer for New City Investment Managers CQS Hong Kong.

COMPANY SECRETARY

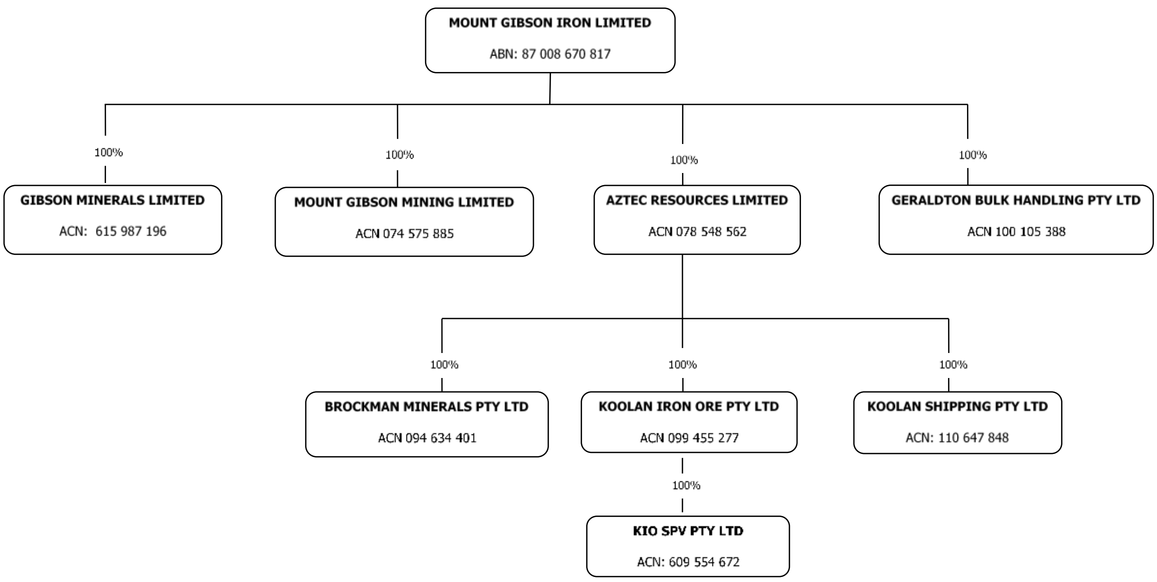
David Stokes B.Bus, LLB, ACIS
Company Secretary & General Counsel

Mr Stokes was appointed Company Secretary and General Counsel on 2 April 2012. He is a corporate lawyer with a diverse range of mining, commercial and governance experience having worked at a corporate and operational level in the energy and resources sectors for over 20 years. Prior to joining Mount Gibson, Mr Stokes was General Counsel and Company Secretary at Gindalbie Metals Limited, Corporate Counsel for Iluka Resources Limited and Resolute Mining Limited, and has also worked in private practice for a number of years.

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The structure of the Group as at 30 June 2022 was as follows:



Nature of Operations and Principal Activities

The principal activities of the entities within the Group during the year were:

- mining, processing and direct shipment of hematite iron ore at the Koolan Island mine site in the Kimberley region of Western Australia;
- mining and processing of hematite iron ore at the Shine mine site in the Mid-West region of Western Australia, and haulage of the ore via road for export from the Geraldton Port;
- treasury management; and
- the pursuit of mineral resources acquisitions and investments.

Employees

The Group employed 337 employees (excluding contractors) as at 30 June 2022 (2021: 355 employees).

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2021/22 Operating and Financial Review which has been prepared to provide shareholders with a clear and concise overview of Mount Gibson's operations, financial position and business strategies. This review also provides a summary of the impact of key events which occurred in 2021/22 and the material business risks so that shareholders can make an informed assessment of the results and prospects of the Group.

The review complements Mount Gibson's financial statements for the year ended 30 June 2022 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission (**ASIC**).

Overview of the 2021/22 Financial Year

During the financial year ended 30 June 2022, the Company's primary focus was on its key capital investment programs at Koolan Island to deliver increasing ore production and cashflow over the remaining mine life, and first shipments from the Shine Iron Ore Project in the Mid-West.

The capital programs at Koolan Island comprised bulk waste stripping and upper footwall ground support works in the Main Pit, and completion and commissioning of the processing plant upgrade. Due to the ongoing capital works in the Main Pit, in the first half of the year, production was restricted to limited volumes of mostly lower grade material from satellite deposits and the fringes of the Main Pit deposit as high-grade zones in Main Pit remained inaccessible.

Ore sales from Shine commenced in August 2021, at the same time as the benchmark Platts 62% Fe iron ore prices fell dramatically from the peaks above US$230 per dry metric tonne (**dmt**) CFR in May 2021 to lows under US$90/dmt in November 2021. This volatility and decline in iron ore prices, together with increased discounts applied to ore grading below 60% Fe, rapidly rising shipping freight charges and high road haulage costs from the site to Geraldton Port, made continued operation uneconomic. The Company suspended operations at the newly developed site in order to preserve its value, pending an improvement in market conditions that could potentially support a resumption of operations.

In the second half of the year, iron ore prices partially recovered, although the emergence of more transmissible variants of the COVID-19 and reopening of the Western Australian state border saw rising community transmission rates which caused increased absenteeism and reduced availability of site labour. Inflationary pressures also escalated due to COVID-19 related impacts on global supply chains and issues associated with the Ukraine-Russia conflict in Europe.

While external conditions were challenging, Mount Gibson achieved significant operational improvement in the June half of the year as the Koolan Island bulk stripping program, upper footwall ground support works and processing plant upgrade were either completed or nearing completion at period end. This enabled mining access to high-grade ore zones in Main Pit from February 2022 onwards, facilitating significantly improved ore production, quality and sales, particularly in the June quarter when 0.71 million wet metric tonnes (**Mwmt**) of high-grade ore were exported.

Group ore sales in 2021/22 totalled 1.65 Mwmt comprising 1.35 Mwmt from Koolan Island and 0.29 Mwmt from the suspended Shine operation in the Mid-West, generating total ore sales revenue of $141,832,000 including shipping and freight services and provisional pricing adjustments, and $132,214,000 on a Free on Board (**FOB**) basis, before $1,131,000 in realised losses from foreign exchange hedging contracts. This compared with Group ore sales of 3.0 Mwmt in the prior financial year which generated total sales revenue of $327,698,000 including shipping and provisional pricing adjustments and $309,623,000 on a FOB basis, before $2,029,000 in realised gains from foreign exchange hedging and commodity collar option contracts.

As noted above, iron ore prices were highly volatile over the course of the financial year, with the benchmark Platts 62% Fe price falling from US$218/dmt CFR in July 2021, to a low of US$87/dmt in November 2021. The price subsequently recovered partially to a peak of US$163/dmt in March 2022, before ending the financial year at US$120/dmt and averaging US$138/dmt for the 12 month period. The price of 65% Fe grade ore averaged US$162/dmt CFR for the year, 7% lower than the prior year, reflecting an average grade-adjusted premium to the Platts 62% Fe Index of approximately 13%. Lower grade ores were substantially more volatile, with the Platts index price for ores grading 58% Fe averaging over 26% lower than the prior year at US$101/dmt, reflecting an average discount of approximately 24%. The value of the Australian dollar was also volatile over the year, trading in a range between A$1.00/US$0.75 and US$0.68, to average US$0.72 for the financial year. This compared with an average of US$0.75 in the prior year.

Mount Gibson achieved an average realised price for all products sold in the year (including realised losses on foreign exchange hedging contracts) of $80/wmt FOB, net of shipping freight, compared with $103/wmt FOB in 2020/21. This reflected the sale of lower grade ore from Koolan Island and Shine in the December 2021 half year, before the return to high-grade ore sales from Koolan Island in the June 2022 half year. Sales from Koolan Island, after post-balance date provisional pricing adjustments, realised an average price of US$61/dmt FOB for the year, including an average realised price of US$87/dmt FOB for Koolan Island fines in the June half year in which the sales grade averaged 64% Fe. Sales from Shine in the Mid-West realised an average price of US$59/dmt FOB for fines and US$82/dmt FOB for lump.

The Company recorded a loss before impairment and tax of $63,608,000. After pre-tax impairment expenses totalling $184,633,000, the Company recorded a net loss after tax of $174,116,000 for the year ended 30 June 2022, compared with a net profit after tax of $64,006,000 in the prior financial year, reflective of the factors noted above and the lower overall sales revenue generated by the reduced volume of ore sold relative to the preceding year.

The total cost of sales for the year was $215,483,000 including royalties and shipping freight costs. On an FOB basis, excluding shipping freight, the total cost of sales was $205,865,000 which equated to $125/wmt sold, compared with $65/wmt sold in the prior financial year. This increase reflected lower sales and higher costs at Koolan Island due to elevated waste stripping requirements, footwall ground support works, additional costs associated with the impact of COVID-19 restrictions on operating efficiencies and labour availability, and operating expenditure incurred at Shine.

Total cash reserves, comprising cash and cash equivalents, term deposits and subordinated notes, financial assets held for trading and dual currency deposits, decreased by $239,150,000 over the year to a total of $125,573,000 as at 30 June 2022, reflecting substantial capital investment at Koolan Island, higher operating costs as noted, ramp-up and suspension costs incurred at Shine, and the reduced ore sales achieved in the year.

COVID-19 Business Response

Since the emergence of the COVID-19 global pandemic in March 2020, Mount Gibson has progressively adapted its response in step with changing circumstances and government restrictions, including mandatory workforce vaccination, to minimise the impact on its workforce, operations and host communities. In the first half of the 2021/22 year, restrictions on entry into Western Australia minimised community transmission but also limited the availability of skilled labour. In the second half of the 2021/22 year, the emergence of more transmissible COVID-19 variants at the same time as removable of the State's border restrictions, resulted in a sharp increase in community transmission, including among the Company's workforce.

With the onset of increased community transmission of the Omicron variant in Western Australia, the Company enhanced its screening, testing and transmission-mitigation measures. Onsite operational productivity was temporarily impacted in the June half as COVID-19 transmission rates peaked in Western Australia. Daily COVID-19 absenteeism, where individuals were unable to work either because they had contracted COVID-19 or because they were close contacts of someone with COVID-19, peaked at approximately 15% in May 2022 then moderated to below 5% in June 2022 consistent with local transmission rates. The positive response of the Company's employees and contractor workforce is acknowledged.

Operating Results for the Financial Year

The summarised operating results for the Group for the year ended 30 June 2022 are tabulated below:

Year ended:		30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Net profit/(loss) before tax	*$'000*	**(248,241)**	**92,133**	**120,717**	**70,462**	**99,129**
Taxation (expense)/benefit	*$'000*	74,125	(28,127)	(36,519)	62,907	-
Net profit/(loss) after tax	*$'000*	**(174,116)**	**64,006**	**84,198**	**133,369**	**99,129**
Earnings/(loss) per share	*cents/share*	(14.55)	5.46	7.35	11.98	9.08

Consolidated quarterly operating and sales statistics for the 2021/22 financial year are tabulated below:

Consolidated Group	**Unit**	**Sept Quarter 2021**	**Dec Quarter 2021**	**Mar Quarter 2022**	**Jun Quarter 2022**	**Year 2021/22**	**Year 2020/21**
Mining & Crushing							
Total waste mined	*kwmt*	7,131	4,519	3,411	3,728	**18,789**	**20,572**
Total ore mined	*kwmt*	585	236	325	662	**1,808**	**2,064**
Total ore crushed	*kwmt*	635	319	258	645	**1,857**	**2,629**
Shipping/Sales							
Standard Lump	*kwmt*	119	59	-	-	**178**	**-**
Standard Fines	*kwmt*	-	137	238	713	**1,088**	**1,781**
Low grade Lump	*kwmt*	-	-	-	-		**888**
Low grade Fines	*kwmt*	320	60	-	-	**380**	**346**
Total	*kwmt*	**439**	**256**	**238**	**713**	**1,646**	**3,016**
Ave. Platts 62% Fe CFR northern China price	*US$/dmt*	**163**	**110**	**142**	**138**	**138**	**154**
MGX FOB average realised fines price – Koolan*	*US$/dmt*	**-**	**-**	**81**	**93**	**90**	**104**
MGX FOB average realised lump price – Mid-West	*US$/dmt*	**91**	**63**	**-**	**-**	**82^**	**43**
MGX FOB average realised fines price – Mid-West	*US$/dmt*	**-**	**59**	**-**	**-**	**59**	**30**

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

CFR = cost and shipping freight included; FOB = free on board (i.e. cost and shipping freight excluded).
Realised FOB prices are shown after shipping freight and specification adjustments/penalties and before provisional pricing adjustments from prior periods.

* Realised Koolan prices for the September and December 2021 quarters were minimal (<US$23/dmt) reflecting the temporary non-core low grade and higher impurity ores extracted as part of the major waste stripping program, and these are excluded from the annual prices.

^ Before downward provisional pricing adjustments of US$25/dmt.

For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 3-4% for Koolan Island fines and approximately 4-5% for Mid-West products.

Minor discrepancies may appear due to rounding.

Koolan Island

The Koolan Island mine is located in the Buccaneer Archipelago, approximately 140km north of Derby, in the Kimberley region of Western Australia. Significant capital investment was made at Koolan Island during the year to progress the bulk waste stripping program and remedial upper footwall ground support works in the Main Pit and to commission the processing plant upgrade, all of which are intended to facilitate increased ore production, sales and cashflow from mid-2022 to the end of the mine life. All three capital projects were complete or nearing completion by the end of the period.

The overburden stripping program is nearing completion with the average waste to ore stripping ratio rapidly decreasing. After averaging over 17:1 in the December 2021 half-year, the waste to ore stripping ratio reduced to 7.2:1 in the June 2022 half-year (including backfill rehandle). The stripping ratio is a key driver of operating costs and is anticipated to reduce further to average approximately 2:1 in the 2022/23 financial year, being around 3.5:1 in the first half and declining further to 1:1 in the second half.

Total material movement of waste and ore in 2021/22 was 17.4 Mwmt compared to 20.1 Mwmt in the prior year. Waste movement will be materially lower in the 2022/23 financial year while ore volumes will be materially higher.

In parallel with the Main Pit overburden stripping program, the ground support program on the upper western footwall was successfully completed shortly after year-end. This investment enables safe mining access to high grade iron ore in the western pit floor beneath the supported footwall zones. On the southern side of the Main Pit, geotechnical monitoring and in-ground instrumentation demonstrates that the seawall continues to perform to design expectations.

Focus on these projects in the December 2021 half-year limited ore production to the lateral extents of Main Pit and sales to 0.4 Mwmt of low-grade material. With progression of the major capital projects, mining access to high-grade ore was re-established in Main Pit from February 2022 and ore production and sales increased in the June 2022 half-year to 1.0 Mwmt of high-grade material averaging 63% Fe. Ore sales from Koolan Island for the year totalled 1.35 Mwmt, following a significant increase in the June quarter when nine shipments were completed with the monthly rate steadily rising from two shipments in April to four shipments in June. During April and May, high grade ore was blended for shipping with stockpiled medium grade material mined in prior periods. Shipments consistently grading circa 65% Fe commenced in June and are expected to continue.

Sales at Koolan Island for the 2021/22 financial year were lower by two shipments than the Company's stated 1.5 Mwmt target due to mining delays as waste stripping and ground support works were completed in the Main Pit and adverse productivity impacts from COVID-19 related personnel absenteeism.

Sales revenue totalled $111,746,000 FOB, reflecting an average realised price of $83/dmt FOB, compared to sales revenue of $246,364,000 in 2020/21.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing 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 averages up to two months after the month of shipment. Accordingly, the Company is subject to pricing movements in subsequent periods, with such provisional pricing movements estimated at each reporting period end. The weakening iron ore price since May 2022 (US$134/dmt average Platts 62% Fe CFR price in May 2022 reducing to US$107/dmt in July 2022) has resulted in a substantial downward provisional pricing adjustment to revenues of $29,429,000 (net of royalty savings).

Unit cash mining and administration costs for the financial year, including all transport and logistics charges for the island-based operation, were $11.50 per tonne of ore and waste mined, with rising costs over the year reflecting inflationary pressures, particularly labour and diesel fuel, and the impacts of COVID-19 related absenteeism. The unit cash costs equated to $119/wmt sold FOB for the financial year before capital expenditure of $20,913,000 on the upper footwall ground support program (since completed) and $123,321,000 on overburden stripping investment. Productivity and commercial initiatives to reduce these costs are ongoing.

The mine generated a loss before tax of $190,920,000 after recording impairment expenses totalling $147,400,000 in the financial year reflecting the factors noted above, compared to a profit of $104,115,000 in 2020/21. The benefits of the significant capital investment undertaken during the year became evident with the increased sales and product quality in the June quarter and return to cashflow generation.

Production and shipping statistics for Koolan Island for the 2021/22 financial year are tabulated below:

Koolan Island Production Summary	**Unit**	**Sept Quarter 2021 '000**	**Dec Quarter 2021 '000**	**Mar Quarter 2022 '000**	**Jun Quarter 2022 '000**	**Year 2021/22 '000**	**Year 2020/21 '000**	***% Incr/ (Decr)***
Mining								
Waste mined	*wmt*	4,508	4,303	3,411	3,728	**15,950**	**18,706**	*(15)*
Standard Ore mined	*wmt*	346	158	325	662	**1,491**	**1,431**	*4*
Total material movement	*wmt*	**4,854**	**4,461**	**3,736**	**4,390**	**17,441**	**20,137**	*(13)*
Crushing								
Fines	*wmt*	412	201	258	645	**1,516**	**1,615**	*(6)*
	wmt	**412**	**201**	**258**	**645**	**1,516**	**1,615**	*(6)*
Shipping								
Fines	*wmt*	320	80	238	713	**1,351**	**1,781**	*(24)*
	wmt	**320**	**80**	**238**	**713**	**1,351**	**1,781**	*(24)*

Minor discrepancies may appear due to rounding.

Exploration and Resource Development

Mount Gibson continues to actively assess potential opportunities to extend the mine life of the Koolan Island operation. Preparations and permitting are progressing to enable drilling later this year at the Mangrove deposit, along strike to the east of the Main Pit and directly adjacent to the processing and ore stockpile areas.

Mid-West Operations

The current Mid-West operations comprise the Shine iron ore mine and the Company's bulk storage and export facilities at the port of Geraldton.

The Mid-West operations incurred a loss before interest and tax of $55,692,000 for the year, reflecting an impairment expense and inventory write-downs totalling $41,952,000 due to suspension of the Shine operation and income of $8,233,000 from the ongoing Mid-West rail credit refund.

Shine

Development of the Shine project, 85km north of the Extension Hill site, commenced in late 2020 with an initial targeted mine life of two years from an initial Ore Reserve of 2.8 Mt grading 59.4% Fe. Mining operations commenced in April 2021. Ore production began prior to the commencement of the financial year, with ore crushed on-site and trucked 300km via public roads to the Company's export facilities at Geraldton Port. The first ore shipment was completed in August 2021.

While production performance at Shine was consistent with plan, the operation suffered extreme economic pressure due to the rapid deterioration in iron ore market conditions, particularly widening discounts for ores grading under 60% Fe, increased penalties for impurities and a sharp increase in shipping freight costs. Consequently, in October 2021 the Company announced a staged suspension of operations to preserve the value of the Shine deposit and provide time to assess the iron ore market outlook.

After the planned final shipment of lump ore in October 2021, the Company negotiated the sale of two further shipments of fines material from available stockpiles which were completed in December 2021. Sales from Shine consequently totaled approximately 0.30 Mwmt in the financial year.

The site is now being held on a low-cost care and maintenance program pending a reassessment of market conditions. In the meantime, many of the Company's employees at Shine have been redeployed to Koolan Island, helping to alleviate some of the ongoing labour pressures in certain areas at that operation.

The cash outflow at Shine for the financial year was $29,460,000, reflecting site development and waste stripping costs in the September quarter and closure costs, net of final revenues, in the December quarter.

Given the suspension of the Shine operation, the book carrying value of the business unit has been impaired and written down for accounting purposes by $41,952,000 at 30 June 2022.

Production and shipping statistics for Mid-West for the 2021/22 financial year are tabulated below:

Mid-West Production Summary	**Unit**	**Sept Quarter 2021 '000**	**Dec Quarter 2021 '000**	**Mar Quarter 2022 '000**	**Jun Quarter 2022 '000**	**Year 2021/22 '000**	**Year 2020/21 '000**	***% Incr/ (Decr)***
Mining								
Waste mined	*wmt*	2,623	216	-	-	**2,839**	**1,866**	*52*
Standard ore mined	*wmt*	240	78	-	-	**318**	**55**	*478*
Low grade ore mined	*wmt*	-	-	-	-	**-**	**578**	*(100)*
Total ore mined	*wmt*	**240**	**78**	**-**	**-**	**318**	**633**	*(50)*
Crushing								
Lump	*wmt*	125	52	-	-	**178**	**745**	*(76)*
Fines	*wmt*	98	66	-	-	**164**	**269**	*(39)*
		223	**118**	**-**	**-**	**341**	**1,014**	*(66)*
Transported to Perenjori Railhead								
Lump	*wmt*	-	-	-	-	**-**	**785**	*(100)*
Fines	*wmt*	-	-	-	-	**-**	**296**	*(100)*
		-	**-**	**-**	**-**	**-**	**1,081**	*(100)*
Transported to Geraldton Port								
Lump (Road)	*wmt*	122	43	-	-	**165**	**3**	*5,400*
Lump (Rail)	*wmt*	-	-	-	-	**-**	**800**	*(100)*
Fines (Road)	*Wmt*	37	78	-	-	**115**	**-**	-
Fines (Rail)	*wmt*	-	-	-	-	**-**	**314**	*(100)*
		159	**121**	**-**	**-**	**280**	**1,117**	*(75)*
Shipping								
Lump	*wmt*	119	59	-	-	**178**	**-**	-
Fines	*wmt*	-	57	-	-	**57**	**-**	-
Low grade Lump	*wmt*	-	-	-	-	**-**	**888**	*(100)*
Low grade Fines	*wmt*	-	60	-	-	**60**	**346**	*(83)*
		119	**175**	**-**	**-**	**295**	**1,234**	*(76)*

Minor discrepancies may appear due to rounding.

Extension Hill Rail Refund/Credit

Following achievement of a contractual rail volume threshold at Extension Hill during the 2017/18 financial year, the Group has 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 is 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. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. The entitlement is currently accruing as a receivable at a rate of approximately $2 million per quarter, with payments due every six months. The total amount received during the year was $8,360,000, taking cumulative total proceeds received since the first payment to $24,280,000.

Infrastructure

Mount Gibson continues to receive and consider external enquiries relating to its Mid-West infrastructure assets, in particular key rail sidings and storage sheds, and is already receiving income from third parties for initial arrangements. Discussions are in progress regarding further interim arrangements for utilisation of spare capacity within those infrastructure assets.

Financial Position

The Group's cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading totalled $125,573,000 at 30 June 2022, a decrease of $239,150,000 from the balance at 30 June 2021 of $364,723,000 (including dual currency deposits).

The key components of the movement are tabulated below and reflect the following business activities during the year:

- *Koolan Island* - Significant capital investment in progression of the Main Pit advanced waste stripping and upper footwall geotechnical ground support programmes, together with commissioning of the upgraded processing plant which was substantially complete at period-end. Sales of lower and medium grade ore produced in the first half was delayed until access to high-grade ore was obtained in the second half, and then blended to achieve a higher average realised price. Increased shipments consistently grading 65% Fe were achieved in June 2022.
- *Shine (Mid-West)* – Cashflows at Shine reflected the mine development and waste stripping activity, net revenues achieved from five shipments made in the first half, suspension of operations due to the significant iron ore price decline, product discounting and increased shipping, and subsequent care and maintenance costs.
- *Corporate and Other* – Key expenditure relates to corporate, administration, rehabilitation (for closed sites) and exploration activities, net of interest income and the historical Mid-West rail credit. In addition, the Company realised losses related to historical iron ore hedging positions, net of realised gains on foreign exchange and financial asset positions.
- *Dividend* – the cash component of the 2020/21 final dividend was paid in the year.

Cashflow Summary	Koolan Island $'000	Mid-West (Shine) $'000	Corporate & Other $'000	Total $'000
Operating cashflow before capital expenditure	11,674	(17,617)	(11,005)	(16,948)
Capital expenditure:				
Advanced waste stripping (capitalised deferred stripping costs)	(123,321)	(8,454)	-	(131,775)
Mine development (including ground support activities)	(44,134)	(2,523)	-	(46,657)
Key projects (Koolan Island crusher upgrade)	(22,714)	-	-	(22,714)
Sustaining capital, equipment purchase, exploration and other	(9,695)	(866)	(920)	(11,481)
	(188,190)	**(29,460)**	**(11,925)**	**(229,575)**
Realised net hedging gain				15,616
Other financing activities and net working capital movements				(4,266)
Dividend payment (cash component of the 2020/21 final dividend)				(12,158)
Tax instalments paid				(8,767)
Total movement in cash and investment reserves in the period				**(239,150)**

Minor discrepancies may appear due to rounding.

A significant improvement in operating and financial performance is anticipated over the 2022/23 financial year and thereafter as production volumes, ore quality and shipments from Koolan Island improve and unit costs per tonne sold decline in line with reduced overburden stripping costs and rising sales volumes.

Mount Gibson does not have bank borrowings and has an undrawn $100 million revolving credit facility available.

As at balance date, the Company's current assets totalled $178,350,000 and its current liabilities totalled $106,876,000. Accordingly, as at the date of this report, the Group has sufficient funds in addition to access to further equity and debt funding to maintain its existing operations and to advance its growth objectives.

Derivatives

As at 30 June 2022, the Group held foreign exchange collar option contracts covering the conversion of US$30,000,000 into Australian dollars over the period July 2022 to December 2022 with an average cap price of A$1.00/US$0.7280 and an average floor price of A$1.00/US$0.6635. These collar contracts had a marked-to-market unrealised net loss at balance date of A$200,000.

During the period, the Group had collar option contracts covering 270,000 dmt of iron ore, with maturity dates spread over the period July 2021 to December 2021. The average price of the collar option contracts at each maturity date was between US$120 and US$212 per dmt. Movements in the market value of the collar option contracts are taken to the income statement.

Impairment

As disclosed in the Company's financials for the year ended 30 June 2022, an impairment expense has been recorded as a result of recent weaker iron ore prices impacting the recoverable value of the Koolan Island non-current assets and the suspension of the Mid-West Shine operation. The Group has recorded a total impairment expense of $184,633,000 before tax comprising impairments of deferred stripping costs ($99,322,000), other mine properties ($63,844,000), property, plant and equipment ($20,912,000) and right-of-use assets ($555,000).

Exploration and Business Development

Mount Gibson continues to seek potential development and investment opportunities consistent with the Company's objective to extend and grow its business into new operations. This strategy has targeted opportunities in the bulk commodities and base metals sectors in Australia.

Equity positions with a market value of $5,478,000 at balance date are held in a number of development and operating companies where it is considered that future financing or strategic opportunities may arise.

The Company also continues to assess regional exploration opportunities for base metals deposits particularly in the Mid-West region, where it has entered into a farm-in agreement covering prospective exploration tenure north of the Company's Tallering Peak mine site, approximately 160km northeast of Geraldton. During the June 2022 quarter, drilling contractors mobilised to the Company's Tallering Peak tenements to commence an initial program of diamond core drilling on defined regional targets.

Likely Developments and Expected Results

Mount Gibson's overall objective is to maintain and grow long-term profitability through the discovery, development, operation and acquisition of mineral resources. As an established producer and seller of hematite iron ore, Mount Gibson's strategy is to grow its profile as a successful and profitable supplier of raw materials.

The Board's corporate objective is to grow the Company's cash reserves and continue to pursue an appropriate balance between the retention and utilisation of cash reserves for value-accretive investments. The Board has determined the following key business objectives for the 2022/23 financial year:

- **Safety and Environment** – continue the focus on safety improvements for the Company's worksites, the high standard of environmental and rehabilitation activities, and the pursuit of appropriate carbon reduction initiatives.
- **Koolan Island** – increase the mining and export of high grade iron ore to maximise sales and cashflow of the operation.
- **Mid-West – Shine** – maintain the site in a low-cost care and maintenance state until assessment of iron ore market conditions support a restart of the operation, whilst continuing to pursue opportunities for ongoing revenue and value creation from the Company's existing Mid-West assets, including its export infrastructure at Geraldton Port.
- **Mid-West – Extension Hill** – complete final rehabilitation of the mine site.
- **Cost reductions** – continue to drive for sustainable productivity and cost improvements across all business units.
- **Treasury management** – responsibly manage the Group's cash and financial reserves.
- **Growth** – accelerate the search for resource acquisition and growth opportunities.

Group Sales Guidance

Mount Gibson is targeting total iron ore sales of 3.2-3.7 Mwmt of high-grade ore from its Koolan Island operation in the 2022/23 financial year, subject to finalisation of the recovery plan (refer Significant Events After Balance Date below).

DIVIDENDS

During the year, a final dividend of $0.02 per share fully franked ($23,760,000) in respect of the 2020/21 financial year was distributed by way of $12,158,000 in cash and the issue of 22,587,755 new shares under the Company's Dividend Reinvestment Plan.

The Company has not declared a dividend for the year ended 30 June 2022.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 12 August 2022, a fire occurred in the product sizing screen area within the Koolan Island crushing plant during a scheduled maintenance shutdown. No personnel were injured. Mining and related site activities have continued and recovery plans for crushing and shipping have been developed. It is anticipated that up to 40% of the plant output capacity can be achieved from late August for an interim period, after which mobile crushing facilities will be engaged to increase processing capacity while repairs are completed. Sufficient crushed ore stockpiles were on hand at the time of the incident to meet immediate shipping requirements. Shipping rates beyond August will depend on the outcome and progress of the repair and recovery plans. The financial impact of this event is not currently ascertainable and will be reflected in future financial reports as appropriate.

Other than the above, as at the date of this report there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The Company has, during current or previous financial periods, entered into deeds of access and indemnity with its Directors. These deeds provide access to documentation and indemnification against liability for loss suffered, as a result of any act or omission, to the extent permitted by the *Corporations Act 2001*, from conduct of the Group's business.

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contracts.

The Company has agreed to indemnify its auditors, EY, to the fullest extent possible as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

SHARE OPTIONS, PERFORMANCE RIGHTS AND RESTRICTED SHARES

There were no options exercised or forfeited during the financial year or prior to the date of this Report. There are no options over ordinary shares in the Company on issue as at balance date and as at the date of this Report.

There were no Performance Rights vested and exercised during the year. There are no Performance Rights on issue as at balance date and as at the date of this Report.

On 1 July 2021, the Company issued 2,063,100 restricted shares as part of its Executive Loan Share Plan. There were 8,238,528 restricted shares on issue at balance date. During the year 2,986,400 restricted shares vested in accordance with their issue conditions. As at the date of this report, there were no restricted shares issued under the Executive Loan Share Plan after balance date.

Refer to the Remuneration Report for further details of shares outstanding.

DIRECTORS' INTERESTS IN THE SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

As at the date of this report, the interests of the Directors in the Shares and Options of the Company were:

	Ordinary Shares	Options over Shares	Performance Rights over Shares
SH Lee[(i)]	-	-	-
A Jones	300,000	-	-
R Barwick	-	-	-
S Bird	51,899	-	-
P Dougas	796,602	-	-
R Ding	-	-	-
A Ferguson (Alternate for Mr Lee)	-	-	-

(i) For the purposes of Corporations Act Regulation 2M.3.03(1)-Item 18, Mr Lee does not have a disclosable shareholding. However, we note that for purposes of ASX Listing Rule 3.19A.2, Mr Lee has previously declared an indirect "relevant interest" in 452,767,297 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 7 October 2021.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings	Audit and Risk Management Committee Meetings	Nomination, Remuneration and Governance Committee	Operational Risk and Sustainability Committee	Contracts Committee
Number of Meetings Held	6	4	4	4	1
SH Lee	4	4	4	-	-
A Jones	6	4	4	-	1
R Barwick	6	-	4	4	-
S Bird	6	4	-	4	1
P Dougas	5	-	-	3	1
R Ding	5	-	-	-	-
A Ferguson (Alt. for Mr Lee)	1	-	-	-	-

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group has developed Environmental Management Plans for its various operating and development sites. The Environmental Management Plans have been approved where applicable by various Western Australian Government agencies including the Department of Mines, Industry Regulation and Safety (**DMIRS**), the Department of Water & Environmental Regulation (**DWER**), the Department of Biodiversity Conservation and Attractions and the Department of Health. In addition, plans associated with specific species have been approved by the Federal Department of Agriculture, Water and Environment.

DWER has granted approval and licensing of works to allow construction and operation of facilities on "prescribed" premises and DMIRS has granted approval for Mining Proposals at each of the mines.

The Group holds various environmental licences and authorities, issued under both State and Federal laws, to regulate its mining and exploration activities in Australia. Along with Regulations, these licences include conditions in relation to specifying limits on emissions into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities, consumption of water, tenement conditions associated with exploration and mining, and the storage of hazardous substances. The Group examines its performance through detailed monitoring and reports against these approval conditions regularly to government. No notices of non-compliance, letters of warning nor any other materially adverse findings was tabled by any regulatory authority in relation to the Group's operations.

The Group continues to report under the National Greenhouse and Energy Reporting (NGER) Act 2009. Diesel consumption is the Group's single largest source of greenhouse gas emissions as its combusted in vehicles and power generators.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings on behalf of the Company under section 237 of the *Corporations Act 2001* in the financial year or at the date of this report.

ROUNDING

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which the instrument applies.

CURRENCY

Amounts in this report and the accompanying financial report are presented in Australian dollars unless otherwise stated.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement is contained in the Additional ASX Information section of the Annual Report.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached Independence Declaration from the auditor of the Company on page 22 which forms part of this Report.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services (where provided) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. There were no non-audit services provided by EY during the financial year ended 30 June 2022.

REMUNERATION REPORT (AUDITED)

Introduction

This Remuneration Report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any directors of the Company and its subsidiaries.

Following a "first strike" against its 2020 Remuneration Report at the Annual General Meeting of shareholders held on 11 November 2020, the Company had reference to comments raised by certain proxy advisors and shareholder representatives in respect of the preparation of the 2021 Remuneration Report, particularly in respect of the structure and disclosures in connection with the Short Term Incentive (STI) and Long Term Incentive (LTI) awards.

In response to this the Board explained in the 2021 Remuneration Report that for Mount Gibson, given the relatively limited mine life of its primary asset at Koolan Island, it was preferable that the Board retain discretion over the awards of STIs and LTIs to give flexibility in times of market volatility and changing circumstances. The Board recognised that it would be helpful for investors if the 2021 Remuneration Report had greater explanation and transparency of the factors influencing the Board's discretion when making STI and LTI awards. To that end a table was included detailing relevant metrics considered in respect of the STI and LTI awards, being safety, environment, sales volumes, cash costs, earnings and cashflow, growth and individual performance together with a summary of LTI awards made over the last 5 years, with shares vested or forfeited. In addition, the Board acknowledged that although the LTI scheme was modest in comparison to peers and acted more as a retention mechanism, it was appropriate to enhance the effectiveness of the LTI scheme by extending the timing for potential vesting of the LTI shares to two years.

The 2021 Remuneration report was approved by 97% of shareholders at the Annual General Meeting of Shareholders held on 10 November 2021. For 2022, the Board has adopted a similar approach to the 2021 Remuneration Report relating to disclosure of STI and LTI metrics and vesting as detailed below.

For completeness, as provided in the 2021 Remuneration Report, the Board considers it is appropriate that the loans supporting the award of the LTI shares are limited recourse loans with the recipient's liability restricted to the issue price of the shares (adjusted for dividends and other security issues in accordance with the terms of the LTI scheme) rather than full recourse. A full recourse loan structure effectively acts as a margin loan rather than a reward linked to share price performance. The Board considers that from a risk/reward perspective, limited recourse loans are to be preferred given the scheme is intended to act as an incentive to drive Executive performance rather than create the risk of a substantial financial burden for the executive. In a declining market scenario, the overhang of this type of financial burden is not consistent with good governance as it gives rise to potential conflicts of interests in terms of future decision making and acceptable levels of risk.

Nomination, Remuneration and Governance Committee (NRGC)

The NRGC comprises two independent Non-Executive Directors, being Messrs Jones (Chairman) and Barwick, and one non-independent Non-Executive Director, being Mr Lee, the Chairman of the Board.

The NRGC is responsible for overseeing the remuneration arrangements for the Board and Key Management Personnel.

The NRGC assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and executive team.

Remuneration Policy

The Remuneration Policy of the Group has been put in place to ensure that:

- remuneration policies and systems support the Company's wider objectives and strategies;
- Directors' and senior executives' remuneration is aligned to the long-term interests of shareholders within an appropriate control framework; and
- there is a clear relationship between the executives' performance and remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior executive management remuneration is separate.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed. The latest determination was at the Annual General Meeting held on 16 November 2011 when Shareholders approved an aggregate remuneration of $1,250,000 per year. Total Non-Executive Director fees of $573,843 were paid/payable in the 2021/22 financial year.

Each Non-Executive Director receives a fee for being a Director of the Company.

Non-Executive Directors should be adequately remunerated for their time and effort and the risks involved. Non-Executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of Directors.

Each Non-Executive Director's performance and remuneration is reviewed on an annual basis by the Chairman and NRGC.

Non-Executive Directors' fixed remuneration comprises the following elements:

- cash remuneration; and
- superannuation contributions made by the Company.

Board operating costs do not form part of Non-Executive Directors' remuneration.

Senior Executives' Remuneration

Objective

The Company aims to reward senior executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward senior executives for Company and individual performance contributing towards key Company objectives;
- align the interests of senior executives with those of shareholders;
- link reward with the strategic goals and performance of the Company;
- be appropriately structured given the presently limited remaining mine life of the Company's key operating assets; and
- ensure total remuneration is competitive by market standards.

Use of Remuneration Consultants

The NRGC from time to time seeks advice from independent remuneration consultants regarding senior executives' remuneration structures and levels. Such consultants are engaged by, and report directly to, the NRGC, and are required to confirm in writing their independence from the Group's senior and other executives.

During the year, the NRGC sought advice from BDO Reward (WA) Pty Ltd (**BDO**) regarding market data in relation to senior executives' remuneration packages and incentive structure, and Non-Executive Director fees. The recommendations were provided directly to the NRGC as an input to the decision making process, and the NRGC considered these recommendations, along with other factors, in making its remuneration decisions and recommendations to the Board. The fees payable to BDO during the year totalled $10,000 and no other services were provided by BDO. The NRGC and Board are satisfied the advice received was free from undue influence from senior executives to whom the remuneration recommendations applied. BDO has confirmed that the report was prepared without undue influence from key management personnel to whom the advice may relate.

Fixed Remuneration

The components of the senior executives' fixed remuneration are determined individually and may include:

- cash remuneration;
- statutory superannuation;
- employee death, disability and salary continuance insurances;
- accommodation and travel benefits;
- motor vehicle, parking and other benefits; and
- reimbursement of entertainment, home office and telephone expenses.

The senior executives' remuneration is reviewed on an annual basis by the Chief Executive Officer, whose own remuneration and recommendations for other senior executives' remuneration, is reviewed annually by the NRGC.

In determining the remuneration package, the NRGC reviews the individual's remuneration with the use of market data for positions with comparable companies. Where appropriate, the package is adjusted so as to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Company's expected performance for the year is considered in the context of the Company's capacity to fund remuneration budgets. The Company seeks to position the overall fixed remuneration for senior management at around the 50th (median) percentile level when compared to its peers for equivalent positions.

Variable Remuneration

Short-term Incentives (STI)

Senior executives may receive variable remuneration in the form of STI of up to 50% of their annual salary package (comprising salary and statutory superannuation). STI payments are based on the Board's assessment of the executive's performance towards achieving key Company objectives over the relevant period.

On an annual basis, the performance of each senior executive is reviewed immediately prior to or just after the reporting date. The NRGC then determines the amount of STI to be allocated to each executive with approval from the Board. The total potential STI available for award is ultimately at the Board's discretion. Payments are made in cash after the reporting date. Where an executive resigns during or after the relevant financial year, it remains at the discretion of the Board as to whether any of the STI is payable for the relevant financial year. However, STI's are generally not paid upon resignation of an executive unless there are exceptional circumstances.

The focus for the 2021/22 financial year was on the Company's operational safety performance and on achieving the annual budget outcomes related to sales and costs.

The Board assessed the Company's and senior executives' performances based on the actual results achieved to the end of May 2022 and forecasts for the month of June 2022. The Board also exercised its discretion taking into account the individual efforts of senior executives over the period.

The outcomes of the target reviews for the 2021/22 financial year are summarised in the following table:

Area	**Description/KPI**	***Weighting***	***Actual Achievements***
1. Safety	Safety performance – TRIFR, site culture/observations & COVID-19 practices	15%	• Improved performance and no life-threatening injuries incurred. • Continued improvement with the Group's Total Recordable Injury Frequency Rate (TRIFR, injuries per 1 million manhours, rolling 12 month basis) reducing to 11.4 from 13.8 at 30 June 2021 and 14.9 at 30 June 2020. • Steady improvement in Koolan workforce wellbeing and safety culture. Efforts and initiatives underway to reduce the total number of injuries and near-miss incidents. • Robust reporting regime across all sites. • Record of 12.7 years LTI-free achieved within the Geraldton Port operations. • Extensive effort required to manage the impacts of COVID-19 relating to Western Australian border closures, the loss of fly-in-fly-out (FIFO) personnel, the introduction of site testing and preventative measures, vaccination take-up and absenteeism.
2. Environment	No critical incidents, compliance (minimal reported issues) & innovations	10%	• No critical incidents and minimal reported issues. • Disciplined compliance and timely reporting, with good regulatory agency relationships fostered. • Minor items self-reported and managed with the regulator and Traditional Owners. • Improved water discharge systems and performance at Koolan Island. • Research undertaken with Government agencies for local fauna (e.g. Koolan northern quolls and cane toad preparation) and flora (e.g. Extension Hill and Iron Hill native species propagation, for which an Association of Mining & Exploration Companies industry award nomination was received). Development assistance and early adoption of satellite imagery for vegetation health.
3. Sales volumes	By reference to budgeted levels – wmt shipped	10%	• Not achieved. • The shortfall at Koolan Island related primarily to unexpected ground condition challenges and the resultant ground support programs required and completed, delayed high grade ore access, and labour shortages and productivity challenges due to COVID-19 related border and FIFO labour travel restrictions. • The shortfall at the Shine operation reflected the December 2021 suspension due to declining economics.
4. Cash costs	By reference to budgeted levels - $/tonne moved, $/wmt sold	10%	• Not achieved at Koolan where unit mining/admin/logistics costs were approximately 12% above budget. • Koolan unit cash costs per tonne sold were above budget given the lower shipment volumes. • Shine unit costs were broadly in line with budget for the first half of the financial year but the site was suspended and the final shipment made in December 2021.
5. Earnings & Cashflow	By reference to budgeted levels	10%	• Not achieved. • Primary reasons relate to delays in accessing Koolan high grade ore due to increased requirements for ground support work, operating cost inflationary pressures (labour, consumables, fuel, logistics), capital cost increases and suspension of the Shine operation following unfavourable movements in product penalties and shipping freight.

Area	Description/KPI	Weighting	Actual Achievements
6. Growth	Acquisition reviews, equity investments, resource & reserve growth, and exploration activities	15%	• Positive equity investment performance. • Ore reserves maintained net of depletion, with an incremental increase (~0.2Mt) at Koolan Island. • Exploration strategy commenced in the Mid-West, with aerial magnetic survey work completed at Tallering Peak and drilling scheduled to commence. Execution of a farm-in/JV agreement for exploration rights over tenements to the north of Tallering Peak with attractive base metals potential. • Active acquisition review program continued with efforts focused on iron ore and base metals opportunities in Australia. • Mid-West infrastructure usage revenue activities commenced.
7. Individual Performance	Personal leadership, communications and technical performance	30%	• This is effectively a Board discretion item based on performance of the relevant individual across their key functional responsibility areas.

For the 2021/22 financial year, a total STI cash incentive of $497,600 was awarded to Key Management Personnel, representing total STI cash incentives available to Mr Kerr (60% of entitlement), Mr Mitchell (40% of entitlement), Ms Dobson (50% of entitlement) and Mr Stokes (50% of entitlement). The amount of the STI is included in the Company's financials for the year and will be paid in September 2022.

For the coming 2022/23 financial year, the Board will follow the STI key performance indicators as set out in the table above and continue to refine these measures where appropriate in assessing the STI award of each executive.

Long-term Incentives (LTI)

The Company's LTI plan, known as the Loan Share Plan (**LSP**), was established in August 2016. Under the LSP, ordinary shares in the Company may be issued to eligible participants, with vesting of the shares being subject to the satisfaction of stipulated performance conditions. Historically the key performance metric for LSP shares vesting has been linked to share price performance based on a 5 day volume-weighted average price (VWAP) calculation at any stage after the first 12 months of issue and within the following 4 year period.

At the time of grant, the shares are issued at their market value with the recipient required to pay this market value in order to take up the share offer. The Company or any of its subsidiaries will provide a loan to fund the acquisition price. The loan is interest-free and secured against the shares in the form of a holding lock preventing all dealing in the shares. The loan is limited recourse such that if the shares do not ultimately vest and are therefore forfeited, this is treated as full repayment of the loan balance. The Board considers that from a risk/reward perspective, non-recourse loans are to be preferred to recourse loans given the scheme is intended to act as an incentive to drive executive performance rather than create a structure that in a declining market imposes a financial burden on the executive and giving rise to a conflict of interests.

Where an executive resigns prior to the vesting of the LSP shares, it remains at the discretion of the Board as to whether any of the LSP shares remain on issue. To date, if an employee resigns prior to vesting, the LSP shares are forfeited and sold or reallocated into future LSP or Dividend Reinvestment Plan share issues.

Under the LTI scheme the Board retains the absolute discretion as to how a participant's unvested LTI shares may be dealt with (if at all) if there has been a change in control event. This could include waiving vesting requirements but would ultimately depend upon circumstances relevant to the Board at that time.

While the loan balance remains outstanding, any dividends paid on the shares, net of the tax on the dividends, will be automatically applied towards repayment of the loan. In making the loan in respect of the newly issued shares, there is no cash cost to the Company other than the associated ASX listing fees.

The Company has a policy restricting executives from entering into arrangements to protect the value of unvested LTI entitlements under equity-based remuneration plans.

For the 2021/22 financial year issue of LSP shares, the Board modified the terms of the LSP shares issued such that they have a two-year vesting period, versus the previous one year vesting period, during which the relevant executive must remain continuously employed by the Group. On 1 July 2021, the Company issued 2,063,100 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a share price of $0.931 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the issue price is met between 1 July 2022 and 1 July 2026 and the participants remain continuously employed by the Group until at least 1 July 2023.

A summary of the historical status of LSP share awards as at 30 June 2022 is provided in the table below:

Financial Year	Award Shares	Vesting Metrics	Term	Status	Forfeited
2021/22	2,063,100	10% Share Price Increase above $0.931 and minimum 24 months continuous employment	1 July 2021 – 30 June 2026	Unvested	-
2020/21	2,986,400	10% Share Price Increase above $0.617 and minimum 12 months continuous employment	1 July 2020 – 30 June 2025	Vested	-
2019/20	1,705,800	10% Share Price Increase above $1.03 and minimum 12 months continuous employment	1 July 2019 – 30 June 2024	Unvested	440,500
2018/19	2,998,351	10% Share Price Increase above $0.443 and minimum 12 months continuous employment	1 July 2018 – 30 June 2023	Vested	1,074,623
2017/18	No award	-	-	-	-
2016/17	4,749,456	10% Share Price Increase above $0.316 and minimum 12 months continuous employment	1 July 2016 – 30 June 2021	Vested	-

Note: "10% Share Price Increase" means a 10% share price increase from date of grant - based on a 5 day VWAP – any time after the first 12 months of the Term.

For the coming 2022/23 financial year, invitations to participants in the LSP awards will be made towards the end of August 2022 and based on shares being issued on 1 September 2022. Invitations will be based on similar vesting conditions to the 2021/2022 award, namely a share price target of a 10% premium to the issue price and the participant remaining continuously employed by the Group to 1 July 2024. Any dividends accruing during vesting periods and upon vesting will be used, net of tax on the dividend, to pay down the 5-year non-recourse LSP loan. The Board estimates that for the 2022/23 financial year, 3,355,000 shares will be issued as LSP awards assuming a 5 trading day VWAP of $0.50. The actual issue price and number of shares issued to participants under the LSP will ultimately be determined based on the 5 trading day VWAP prior to issue. The financial impact is yet to be determined at the date of this report.

Employment Contracts

As at the date of this report, the Group had entered into employment contracts with the following executives:

Peter Kerr

The key terms of his contract include:

- Commenced as Chief Financial Officer on 19 September 2012 and subsequently appointed as Chief Executive Officer 1 October 2018 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Kerr is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Kerr wishes to terminate the contract, he must provide six months' notice.

David Stokes

The key terms of his contract include:

- Commenced 2 April 2012 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Stokes is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out 12 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Stokes wishes to terminate the contract, he must provide six months' notice.

Gillian Dobson

The key terms of her contract include:

- Commenced as Group Commercial Manager on 23 April 2013 and subsequently appointed as Chief Financial Officer on 1 October 2018 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Ms Dobson is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out six months Annual Salary Package plus any other accrued entitlements and bonuses. If Ms Dobson wishes to terminate the contract, she must provide three months' notice.

Mark Mitchell

The key terms of his contract include:

- Commenced as Chief Operating Officer on 28 October 2019 with no set term;
- Annual Salary Package increase by minimum of CPI from 1 July every year;
- STI Bonus of up to one half of Annual Salary Package;
- LTI Bonus of up to one third of Annual Salary Package; and
- If the Company wishes to terminate the contract other than if Mr Mitchell is guilty of any grave misconduct, serious or persistent breach of the terms of the contract or wilful neglect in the discharge of his duties, the Company is obliged to pay out six months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr Mitchell wishes to terminate the contract, he must provide three months' notice.

Details of directors and key management personnel disclosed in this report

[i] Directors

SH Lee	Chairman
A Jones	Non-Executive Director
R Barwick	Non-Executive Director
S Bird	Lead Non-Executive Director
P Dougas	Non-Executive Director
R Ding	Non-Executive Director
A Ferguson	Alternate Director to Mr Lee

[ii] Key Management Personnel

P Kerr	Chief Executive Officer
D Stokes	Company Secretary and General Counsel
G Dobson	Chief Financial Officer
M Mitchell	Chief Operating Officer

All directors and key management personnel have held the above positions for the period from 1 July 2021 to the date of this report.

Remuneration of Key Management Personnel for the year ended 30 June 2022

	Short Term				Post Employment	Long Term	Share Based Payment		
30 June 2022	**Salary & Fees $**	**Non Monetary(a) $**	**Cash Incentives (b) $**	**Accrued Annual Leave(c) $**	**Super-annuation $**	**Long Service Leave(d) $**	**Loan Share Plan(e) $**	**Total $**	**% Perform-ance Related(f)**
Directors									
SH Lee	104,680	-	-	-	10,468	-	-	**115,148**	-
A Jones	110,959	-	-	-	11,151	-	-	**122,110**	-
R Barwick	100,000	-	-	-	10,000	-	-	**110,000**	-
S Bird	117,808	-	-	-	11,836	-	-	**129,644**	-
P Dougas	96,941	-	-	-	-	-	-	**96,941**	-
R Ding	-	-	-	-	-	-	-	**-**	-
A Ferguson (Alt)	-	-	-	-	-	-	-	**-**	-
Sub-total	**530,388**	**-**	**-**	**-**	**43,455**	**-**	**-**	**573,843**	
Other KMP									
P Kerr	652,299	17,507	203,900	23,769	27,500	13,609	109,992	**1,048,576**	30
D Stokes	340,600	13,298	93,700	14,410	34,060	6,684	61,475	**564,227**	28
G Dobson	378,400	12,116	101,500	7,096	27,500	7,328	64,994	**598,934**	28
M Mitchell	464,750	15,763	98,500	-	27,500	1,349	79,193	**687,055**	26
Sub-total	**1,836,049**	**58,684**	**497,600**	**45,275**	**116,560**	**28,970**	**315,654**	**2,898,792**	
Totals	**2,366,437**	**58,684**	**497,600**	**45,275**	**160,015**	**28,970**	**315,654**	**3,472,635**	

(a) Non-Monetary items include the value (where applicable) of benefits such as group life insurance cover that are available to all employees of Mount Gibson and car parking, and are inclusive of Fringe Benefits Tax where applicable.

(b) Cash incentives represent the cash value of the executives' short-term incentive awards for the 2021/22 year. Refer to "Short-term Incentives" section above.

(c) Annual leave has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period. Any reduction in accrued leave reflects more leave taken or cashed out than that which accrued in the period.

(d) Represents the accrual for long service leave over the twelve-month period.

(e) The fair values of the awards under the Loan Share Plan (restricted shares) were calculated as at the grant date and represent the accounting expense incurred by the Company for the stated financial period, reflecting the terms of the particular restricted shares. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive (refer the Long-term Incentives (LTI) section of this report).

(f) Performance related remuneration reflects the proportion of the total remuneration relating to cash incentives (STI) and share based payments (LTI).

Options

There were no options granted to Directors or Executives during the year ended 30 June 2022 and there were no options outstanding as at 30 June 2022. There were no shares issued on the exercise of options during the year ended 30 June 2022 (2021: nil).

Shares

On 1 July 2021, a total of 2,063,100 restricted shares were granted under the LSP. The award has been accounted for as an in-substance option award with the fair value assessed at grant date as $0.306 per LSP share. Refer section above titled "Long-term Incentives" for details of the shares issued under the LSP.

	Grant Date	LSP Shares Granted (#)	Fair Value at Grant Date[1] ($/LSP share)	Value of LSP Shares Granted ($)	Exercise Price ($)	Vesting Date & Condit-ions	Expiry Date	LSP Shares Vested in Year (#)	Value of LSP Shares Vested in Year[3] ($)
P Kerr	1-Jul-21	718,900	$0.306	219,983	$0.93	Note 2	1-Jul-26	1,009,700	600,050
D Stokes	1-Jul-21	401,800	$0.306	122,951	$0.93	Note 2	1-Jul-26	599,100	356,037
G Dobson	1-Jul-21	424,800	$0.306	129,989	$0.93	Note 2	1-Jul-26	605,800	360,018
M Mitchell	1-Jul-21	517,600	$0.306	158,386	$0.93	Note 2	1-Jul-26	771,800	458,670
Total		**2,063,100**		**631,309**				**2,986,400**	**1,774,775**

1. Determined at the time of grant per AASB 2, refer note 26(d) in the financial statements.
2. In order for the LSP shares to vest, participants must remain continuously employed by the Group to 1 July 2023 and the Company's share price, as measured by a rolling 5-day volume weighted average price of the Company's shares traded on the ASX, must on 1 July 2022 or at any time prior to expiry, be above a 10% premium to the issue price of the LSP shares.
3. Determined at the time of exercise at the intrinsic value of the LSP share.

During the year ended 30 June 2022, there were no alterations to the terms and conditions of LSP shares after their grant date.

Performance Rights

There were no Performance Rights granted as part of remuneration, or vested and exercised, during the year ended 30 June 2022. At 30 June 2022, there were no Performance Rights on issue. There were no shares issued on the exercise of Performance Rights during the year ended 30 June 2022 (2021: nil).

Shareholdings of Key Management Personnel as at 30 June 2022

	Balance 1 July 2021 Ord	Granted as Remuneration Ord	Forfeited Ord	Net Change Other Ord	Balance 30 June 2022 Ord
Directors					
SH Lee[(i)]	-	-	-	-	-
A Jones	300,000	-	-	-	300,000
R Barwick	-	-	-	-	-
S Bird	49,933	-	-	1,966	51,899
P Dougas	774,765	-	-	21,837	796,602
R Ding	-	-	-	-	-
A Ferguson (Alt. for Mr Lee)	-	-	-	-	-
Other KMP[(ii)]					
P Kerr	2,711,103	718,900	-	-	3,430,003
D Stokes	1,498,235	401,800	-	-	1,900,035
G Dobson	951,900	424,800	-	-	1,376,700
M Mitchell	771,800	517,600	-	-	1,289,400
Total	**7,057,736**	**2,063,100**	**-**	**23,803**	**9,144,639**

(i) For the purposes of Corporations Act Regulation 2M.3.03(1)-Item 18, Mr Lee does not have a disclosable shareholding. However, we note that for purposes of ASX Listing Rule 3.19A.2, Mr Lee has previously declared an indirect "relevant interest" in 452,767,297 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 7 October 2021.

(ii) The closing balance at 30 June 2022 for Other KMP includes 7,593,397 LSP shares (in-substance options) held by Mr. Kerr (3,027,262 LSP shares), Mr. Stokes (1,900,035 LSP shares), Mr. Mitchell (1,289,400 LSP shares) and Ms. Dobson (1,376,700 LSP shares), 4,264,997 of which had vested as at balance date.

Remuneration of Key Management Personnel for the year ended 30 June 2021

	Short Term				Post Employment	Long Term	Share Based Payment		
30 June 2021	**Salary & Fees $**	**Non Monetary[a] $**	**Cash Incentives [b] $**	**Accrued Annual Leave[c] $**	**Super-annuation $**	**Long Service Leave[d] $**	**Loan Share Plan[e] $**	**Total $**	**% Perform-ance Related[f]**
Directors									
SH Lee	100,114	-	-	-	9,511	-	-	**109,625**	-
A Jones	96,343	-	-	-	9,157	-	-	**105,500**	-
R Barwick	96,343	-	-	-	9,157	-	-	**105,500**	-
S Bird	103,192	-	-	-	9,808	-	-	**113,000**	-
P Dougas	92,500	-	-	-	-	-	-	**92,500**	-
R Ding	-	-	-	-	-	-	-	**-**	-
A Ferguson (Alt)	-	-	-	-	-	-	-	**-**	-
Sub-total	**488,492**	**-**	**-**	**-**	**37,633**	**-**	**-**	**526,125**	
Other KMP									
P Kerr	635,000	16,910	165,000	20,807	25,000	18,236	202,950	**1,083,903**	34
D Stokes	336,855	11,409	92,200	6,460	32,001	7,217	120,419	**606,561**	35
G Dobson	365,000	11,305	97,500	-	27,443	10,257	121,766	**633,271**	35
M Mitchell	453,512	18,989	118,800	1,664	21,635	577	155,132	**770,309**	36
Sub-total	**1,790,367**	**58,613**	**473,500**	**28,931**	**106,079**	**36,287**	**600,267**	**3,094,044**	
Totals	**2,278,859**	**58,613**	**473,500**	**28,931**	**143,712**	**36,287**	**600,267**	**3,620,169**	

(g) Non-Monetary items include the value (where applicable) of benefits such as group life insurance cover that are available to all employees of Mount Gibson and car parking, and are inclusive of Fringe Benefits Tax where applicable.

(h) Cash incentives represent the cash value of the executives' short-term incentive awards for the 2020/21 year. Refer to "Short-term Incentives" section above.

(i) Annual leave has been separately categorised and is measured on an accrual basis and reflects the movement in the accrual over the twelve-month period. Any reduction in accrued leave reflects more leave taken or cashed out than that which accrued in the period.

(j) Represents the accrual for long service leave over the twelve-month period.

(k) The fair values of the awards under the Loan Share Plan (restricted shares) were calculated as at the grant date and represent the accounting expense incurred by the Company for the stated financial period, reflecting the terms of the particular restricted shares. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may in fact receive (refer the Long-term Incentives (LTI) section of this report).

(l) Performance related remuneration reflects the proportion of the total remuneration relating to cash incentives (STI) and share based payments (LTI).

Other Transactions and Balances with Key Management Personnel

There were no other transactions and balances with key management personnel during the years ended 30 June 2022 and 30 June 2021.

Company Performance

The table below shows the performance of the Group over the last 5 years:

		30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Net profit/(loss) after tax	***$'000***	(174,116)	64,006	84,198	133,369	99,129
Earnings/(loss) per share	***$/share***	(0.1455)	0.0546	0.0735	0.1198	0.0908
Closing share price	***$***	0.54	0.95	0.61	1.02	0.43

End of remuneration report.

Signed in accordance with a resolution of the Directors.

LEE SENG HUI
Chairman
Date: 24 August 2022

Competent Person Statements

Mineral Resources:
The information in this report relating to Mineral Resources is based on information compiled by Ms Elizabeth Haren, a Competent Person who is a member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and member of the Australian Institute of Geoscientists. Ms Haren was previously a full-time employee of, and is a consultant to, Mount Gibson Iron Limited, and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Haren consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Ore Reserves
The information in this report relating to Ore Reserves is based on information compiled by Mr Brett Morey, a member of the Australasian Institute of Mining and Metallurgy. Mr Morey is a full-time employee of Mount Gibson Iron Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Morey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears**.**

Building a better
working world

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Auditor's independence declaration to the directors of Mount Gibson Iron Limited

As lead auditor for the audit of the financial report of Mount Gibson Iron Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mount Gibson Iron Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
24 August 2022

Consolidated Income Statement

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Revenue	3[a]	140,701	329,727
Interest revenue	3[b]	1,972	6,290
TOTAL REVENUE		**142,673**	**336,017**
Cost of sales	4[a]	(215,483)	(214,830)
GROSS PROFIT/(LOSS)		**(72,810)**	**121,187**
Other income	3[c]	19,095	14,604
Impairment of property, plant and equipment	17	(20,912)	-
Impairment of right-of-use assets	17	(555)	-
Impairment of mine properties	17	(163,166)	-
Net foreign exchange loss	4[c]	-	(6,467)
Net realised marked-to-market gain/(loss)	4[d]	9,933	(21,871)
Administration and other expenses	4[e]	(18,096)	(14,480)
PROFIT/(LOSS) BEFORE TAX AND FINANCE COSTS		**(246,511)**	**92,973**
Finance costs	4[b]	(1,730)	(840)
PROFIT/(LOSS) BEFORE TAX		**(248,241)**	**92,133**
Tax (expense)/benefit	5	74,125	(28,127)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**(174,116)**	**64,006**
Earnings/(loss) per share (cents per share)			
• basic earnings/(loss) per share	27	(14.55)	5.46
• diluted earnings/(loss) per share	27	(14.55)	5.45

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	2022 $'000	2021 $'000
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	**(174,116)**	**64,006**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	-	400
Reclassification adjustments for loss on cash flow hedges transferred to the Income Statement	-	(800)
Change in fair value of debt instruments classified as financial assets designated at fair value through other comprehensive income (OCI)	(932)	504
Deferred income tax	280	(31)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(652)**	**73**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(174,768)**	**64,079**

Consolidated Balance Sheet
As at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	77,579	95,283
Term deposits and subordinated notes	7	23,907	198,361
Financial assets held for trading	8	24,087	57,936
Derivative financial assets	11	9	13,143
Trade and other receivables	9	6,853	12,553
Inventories	10	31,459	26,530
Prepayments		5,689	8,025
Tax receivable		8,767	-
Total Current Assets		**178,350**	**411,831**
Non-Current Assets			
Property, plant and equipment	13	56,966	63,464
Right-of-use assets	14	9,552	17,910
Mine properties	16	372,393	403,983
Prepayments		606	1,047
Deferred tax assets	5	72,407	-
Total Non-Current Assets		**511,924**	**486,404**
TOTAL ASSETS		**690,274**	**898,235**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	87,500	72,500
Employee benefits		6,247	5,639
Interest-bearing loans and borrowings	19	8,152	11,573
Derivative financial liabilities	20	209	27,908
Provisions	21	4,768	5,377
Total Current Liabilities		**106,876**	**122,997**
Non-Current Liabilities			
Employee benefits		175	113
Interest-bearing loans and borrowings	19	3,723	6,530
Provisions	21	46,396	46,887
Deferred tax liabilities	5	-	1,994
Total Non-Current Liabilities		**50,294**	**55,524**
TOTAL LIABILITIES		**157,170**	**178,521**
NET ASSETS		**533,104**	**719,714**
EQUITY			
Issued capital	22	632,425	620,948
Accumulated losses	24	(1,024,277)	(850,161)
Reserves	23	924,956	948,927
TOTAL EQUITY		**533,104**	**719,714**

Consolidated Cash Flow Statement

For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		174,537	338,412
Proceeds from rail credit		8,360	7,573
Proceeds from business interruption insurance		-	802
Payments to suppliers and employees		(153,085)	(181,190)
Interest paid		(443)	(404)
Income tax paid		(8,767)	-
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	6[b]	**20,602**	**165,193**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,220	6,915
Proceeds from sale of property, plant and equipment		2,376	600
Purchase of property, plant and equipment		(35,591)	(29,970)
Proceeds from term deposits		111,000	64,100
Proceeds from sale of subordinated notes		62,760	32,000
Payment for subordinated notes		-	(18,800)
Proceeds from sale of financial assets held for trading		34,995	16,663
Payment for financial assets held for trading		(6,000)	(29,732)
Proceeds from sale of/(payment for) derivative financial assets		13,301	(13,301)
Settlement of derivative financial liabilities		(10,612)	-
Payment for deferred exploration and evaluation expenditure		(770)	(146)
Payment for mine development		(181,582)	(184,967)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(7,903)**	**(156,638)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	581
Repayment of insurance premium funding facility		(7,263)	-
Repayment of lease liabilities		(11,520)	(10,145)
Payment of borrowing costs		(957)	(122)
Dividends paid		(12,158)	(16,271)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(31,898)**	**(25,957)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(19,199)	(17,402)
Net foreign exchange difference		1,495	1,024
Cash and cash equivalents at beginning of year		95,283	111,661
CASH AND CASH EQUIVALENTS AT END OF YEAR	6[a]	**77,579**	**95,283**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Attributable to Equity Holders of the Parent						*Total Equity*
	Issued Capital	**Accumulated Losses**	**Share Based Payments Reserve**	**Net Unrealised Gains / (Losses) Reserve**	**Dividend Distribution Reserve**	**Equity Reserves**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2020	**602,030**	**(914,167)**	**21,277**	**515**	**964,262**	**(3,192)**	**670,725**
Profit for the period	-	64,006	-	-	-	-	**64,006**
Other comprehensive income	-	-	-	73	-	-	**73**
Total comprehensive income for the year	**-**	**64,006**	**-**	**73**	**-**	**-**	**64,079**
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	(34,807)	-	**(34,807)**
After tax dividends netted off against loan-funded shares	-	-	-	-	199	-	**199**
Shares issued under DRP	18,337	-	-	-	-	-	**18,337**
Exercise of shares vested under LSP	581	-	-	-	-	-	**581**
Share-based payments	-	-	600	-	-	-	**600**
At 30 June 2021	**620,948**	**(850,161)**	**21,877**	**588**	**929,654**	**(3,192)**	**719,714**
At 1 July 2021	**620,948**	**(850,161)**	**21,877**	**588**	**929,654**	**(3,192)**	**719,714**
Loss for the period	-	(174,116)	-	-	-	-	**(174,116)**
Other comprehensive loss	-	-	-	(652)	-	-	**(652)**
Total comprehensive loss for the year	**-**	**(174,116)**	**-**	**(652)**	**-**		**(174,768)**
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	(23,760)	-	**(23,760)**
After tax dividends netted off against loan-funded shares	-	-	-	-	125	-	**125**
Shares issued under DRP	11,477	-	-	-	-	-	**11,477**
Share-based payments	-	-	316	-	-	-	**316**
At 30 June 2022	**632,425**	**(1,024,277)**	**22,193**	**(64)**	**906,019**	**(3,192)**	**533,104**

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Notes to the Consolidated Financial Report

For the year ended 30 June 2022

1. Introduction

(a) Corporate information

The consolidated financial statements of the Group, comprising the Company and the entities that it controlled during the year ended 30 June 2022, were authorised for issue in accordance with a resolution of the Directors on 24 August 2022.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Group are the mining and export of hematite iron ore from Koolan Island in the Kimberley region of Western Australia and the Mid-West region of Western Australia, treasury management and the pursuit of mineral resources acquisitions and investments.

The address of the registered office is Level 1, 2 Kings Park Road, West Perth, Western Australia, 6005, Australia.

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and certain financial assets that have been measured at fair value.

The Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2021. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group at the date of initial application. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards and interpretations as of 1 July 2021.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission (**ASIC**) (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which the instrument applies.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities.

The financial statements of controlled entities are prepared for the same reporting period as the Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Notes to the Consolidated Financial Report (continued)

2. Other Significant Accounting Policies

(a) Foreign currency

The functional currency of the Company and its controlled entities is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All such exchange differences are taken to the income statement in the consolidated financial report.

(b) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(c) Other accounting policies

Other significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

(d) Key accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Significant judgements and estimates which are material to the financial statements are provided throughout the notes to the financial statements.

Other significant accounting judgements, estimates and assumptions not provided in the notes to the financial statements are as follows:

Determination of mineral resources and ore reserves

The Group estimates its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (the **JORC Code**). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which (or and) may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the ore reserves being restated. Such changes in the ore reserves could impact depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

Notes to the Consolidated Financial Report (continued)

3. Revenue and Other Income

	Notes	2022 $'000	2021 $'000
[a] Revenue			
Revenue from contracts with customers – sale of iron ore		176,496	282,388
Revenue from contracts with customers – freight/shipping services		9,618	18,075
		186,114	300,463
Other revenue:			
Quotation period price adjustments – relating to prior year shipments		(13,061)	3,823
Quotation period price adjustments – relating to current year shipments		(31,221)	23,412
Realised gain/(loss) on foreign exchange hedging contracts		(1,131)	2,029
		140,701	329,727
[b] Interest revenue			
Interest revenue – calculated using the effective interest method		118	1,078
Interest revenue – other		1,854	5,212
		1,972	6,290
[c] Other income			
Net unrealised gain on foreign exchange balances		1,519	1,043
Net realised gain on foreign exchange transactions		1,026	-
Net gain on disposal of property, plant and equipment		963	569
Net realised gain on financial assets held for trading		2,682	2,091
Rail credit income	[i]	8,233	7,768
Insurance proceeds – business interruption		-	802
Insurance proceeds - other		1,096	439
Storage fee income		3,341	1,825
Other income		235	67
		19,095	14,604

[i] The Group has 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 certain 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 is 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. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. As at 30 June 2022, total proceeds received since first payment was $24,280,000.

Recognition and measurement

Revenue from contracts with customers

The Group generates a significant proportion of revenue from the sale of iron ore. In some instances, the Group provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer and at the amount that reflects the consideration which the Group expects to receive in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

Iron ore sales

Each iron ore shipment is governed by a sales contract with the customer, including spot sales agreements and long-term offtake agreements. For the Group's iron ore sales not sold under Cost and Freight (**CFR**) Incoterms, the performance obligation is the delivery of the iron ore. A proportion of the Group's iron ore sales are sold under CFR Incoterms, whereby the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping service represents a separate performance obligation.

Revenue from iron ore sales is recognised when control of the iron ore passes to the customer, which generally occurs at a point in time when the iron ore is physically transferred onto a vessel. This is the point where title passes to the customer together with significant risks and rewards of ownership.

A proportion of the Group's sales are provisionally priced, where the final price is referenced to a future market-based (Platts) index price. Adjustment to the sales price occurs based on movements in the index price up to the end of the quotational period (**QP**). These are referred to as provisional pricing arrangements and are such that the selling price for the iron ore is determined on a specified future date after shipment to the customer. Adjustments to the sales price therefore occur up until the end of the QP. The period between provisional pricing and the end of the QP is generally between two and three months. Revenue is measured at the amount to which the Group expects to be entitled at the end of the QP, being the estimated forward price at the date the revenue is recognised. For those arrangements subject to CFR shipping terms, a portion of the transaction price is allocated to the separate freight/shipping services provided. For provisional pricing arrangements, any future changes that occur over the QP are embedded within trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables are measured at fair value through profit or loss (see note 9). Subsequent changes in the fair value of provisionally priced trade receivables are recognised in revenue but are presented separately to revenue from contracts with customers.

Changes in fair value over the term of the provisionally priced trade receivable are estimated by reference to movements in the index price as well as taking into account relevant other fair value consideration including interest rate and credit risk adjustments.

Freight/shipping services

For CFR arrangements, the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the iron ore to its customers. The Group, therefore, has a separate performance obligation for freight/shipping services which is provided solely to facilitate the sale of the commodities it produces.

The transaction price (as determined above) is allocated to the iron ore and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, revenue is recognised over time using an output basis to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with the freight/shipping services are also recognised over the same time period as shipping occurs.

Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Key estimates and judgments

For the Group's CFR customers, the Group is responsible for providing freight/shipping services. While the Group does not actually provide nor operate the vessels, the Group has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. The terms of the Group's contract with the service provider gives the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

The Group has also concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the freight/shipping services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it is performed. The Group determined that the output method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

Notes to the Consolidated Financial Report (continued)

		Notes	2022 $'000	2021 $'000

4. Expenses

		Notes	2022 $'000	2021 $'000
[a]	**Cost of sales**			
	Mining and site administration costs		214,179	207,432
	Depreciation of property, plant and equipment – mining and site administration		13,951	10,023
	Depreciation of right-of-use assets – mining and site administration		8,776	8,868
	Capitalised deferred stripping costs	16	(131,775)	(148,630)
	Amortisation of capitalised deferred stripping costs	16	27,799	11,074
	Amortisation of mine properties	16	17,487	11,591
	Pre-production expenditure capitalised		(438)	(4,538)
	Crushing costs		16,708	18,099
	Depreciation of property, plant and equipment – crushing		3,434	1,300
	Depreciation of right-of-use assets – crushing		1,989	620
	Transport costs		14,410	26,298
	Port costs		9,807	10,594
	Depreciation of property, plant and equipment – port		155	94
	Depreciation of right-of-use assets - port		416	139
	Royalties		14,803	27,142
	Consumables stock write-down		1,177	-
	Net ore inventory movement		(23,209)	14,383
	Net movement in net realisable value on ore inventories	10[i]	16,235	4,062
	Rehabilitation revised estimate adjustments	21	(39)	(1,796)
	Cost of sales – Free on Board (FOB) basis		205,865	196,755
	Shipping freight		9,618	18,075
	Cost of sales – Cost and Freight (CFR) basis		215,483	214,830
[b]	**Finance costs**			
	Finance charges on banking facilities		937	202
	Finance charges on lease liabilities		304	377
			1,241	579
	Non-cash interest accretion on rehabilitation provision	21	489	261
			1,730	840
[c]	**Net foreign exchange loss**			
	Net realised loss on foreign exchange transactions		-	6,467
	Net unrealised loss on foreign exchange balances		-	-
			-	6,467
[d]	**Net marked-to-market (gain)/loss**			
	Net marked-to-market (gain)/loss on commodity derivatives		(16,747)	27,359
	Unrealised marked-to-market (gain)/loss on foreign exchange derivatives		(507)	863
	Unrealised marked-to-market (gain)/loss on financial assets held for trading		7,321	(6,351)
			(9,933)	21,871
[e]	**Administration and other expenses include:**			
	Depreciation of property, plant and equipment		167	142
	Depreciation of right-of-use assets		492	538
	Share-based payments expense	26(a)	316	600
	Koolan Island seawall insurance claim expenses		570	943
	Insurance premiums		1,728	1,589
	Reversal of write down to net realisable value on consumables inventories		-	(680)
	Exploration expenses	15	770	146
[f]	**Cost of sales and Administration and other expenses above include:**			
	Salaries, wages expense and other employee benefits		63,292	59,767
	Lease expense – short-term		7,197	7,615
	Lease expense – low value assets		558	248
	Lease expense – variable		2,470	1,365

Recognition and measurement

Employee benefits expense

Wages, salaries, sick leave and other employee benefits

Liabilities for wages and salaries, including non-monetary benefits and other employee benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Redundancy

Provision is made for redundancy payments where positions have been identified as excess to requirements, the Group has communicated a detailed and formal plan and a reliable estimate of the amount payable can be determined. Refer to note 21 for further details on redundancy (restructure) provision.

Annual leave and long service leave

The Group expects its annual leave benefits to be settled wholly within 12 months of each reporting date. The obligation is measured at the amount expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-Based Payment Plans

The policy relating to share-based payments is set out in note 26.

Superannuation

Contributions made by the Group to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant, machinery and equipment (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of plant and equipment that are considered of low value. Lease payments on short-term lease and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Depreciation and amortisation

Refer to notes 13 and 16 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amounts. Refer to note 17 for further details on impairment.

	2022 $'000	2021 $'000

5. Taxation

	2022 $'000	2021 $'000
Major components of tax expense/(benefit) for the years ended 30 June 2022 and 2021 are:		
Income Statement		
Current tax		
Current income tax charge	(4)	(1)
Refund in respect of previous return		
Deferred tax		
Relating to origination and reversal of temporary differences:		
Deferred tax relating to movement in temporary differences	(74,121)	28,128
Tax expense/(benefit) reported in Income Statement	**(74,125)**	**28,127**
Statement of Changes in Equity		
Deferred income tax		
Remeasurement of financial assets designated at fair value through OCI	(280)	31
Deferred income tax expense reported in equity	(280)	31

Reconciliation of tax expense/(benefit)

A reconciliation of tax expense/(benefit) applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2022 and 2021 is as follows:

	2022 $'000	2021 $'000
Accounting profit/(loss) before tax	(248,241)	92,133
• At the statutory income tax rate of 30% (2021: 30%)	(74,472)	27,640
• Expenditure not allowed for income tax purposes	350	489
• Other	(3)	(2)
Tax expense/(benefit) reported in Income Statement	**(74,125)**	**28,127**

Notes to the Consolidated Financial Report (continued)

5. Taxation (Continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
CONSOLIDATED						
Accrued liabilities	(15,705)	(8,912)	-	-	(15,705)	(8,912)
Capital raising costs	(9)	(41)	-	-	(9)	(41)
Deferred income	(1,169)	-	-	1,028	(1,169)	1,028
Donations	(90)	(53)	-	-	(90)	(53)
Derivatives	-	(8,154)	609	-	609	(8,154)
Financial assets designated at fair value through OCI	(29)			251	(29)	251
Inventory	(2,325)	-	-	1,451	(2,325)	1,451
Prepaid expenditure	-	-	143	104	143	104
Fixed assets, mine properties and exploration expenditure	-	-	69,116	85,287	69,116	85,287
Provisions	(18,012)	(15,987)	-	-	(18,012)	(15,987)
Borrowing cost	(282)	(107)	-	-	(282)	(107)
Research and development carried forward tax offset	(1,063)	(1,063)	-	-	(1,063)	(1,063)
Tax losses	(103,591)	(51,810)	-	-	(103,591)	(51,810)
Net tax (assets)/liabilities	**(142,275)**	**(86,127)**	**69,868**	**88,121**	**(72,407)**	**1,994**

	Balance 1 July 2021 $'000	**Recognised in Income $'000**	**Recognised in Equity $'000**	**Balance 30 June 2022 $'000**
Movement in temporary differences during the financial year ended 30 June 2022				
Accrued liabilities	(8,912)	(6,793)	-	(15,705)
Capital raising costs	(41)	32	-	(9)
Deferred income	1,028	(2,197)	-	(1,169)
Donations	(53)	(37)	-	(90)
Derivatives	(8,154)	8,763	-	609
Financial assets designated at fair value through OCI	251		(280)	(29)
Inventory	1,451	(3,776)	-	(2,325)
Prepaid expenditure	104	39	-	143
Fixed assets, mine properties and exploration expenditure	85,287	(16,171)	-	69,116
Provisions	(15,987)	(2,025)	-	(18,012)
Borrowing cost	(107)	(175)	-	(282)
Research and development carried forward tax offset	(1,063)	-	-	(1,063)
Tax losses	(51,810)	(51,781)	-	(103,591)
	1,994	**(74,121)**	**(280)**	**(72,407)**

Notes to the Consolidated Financial Report (continued)

5. Taxation (Continued)

	Balance 1 July 2020 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 2021 $'000
Movement in temporary differences during the financial year ended 30 June 2021				
Accrued liabilities	(3,024)	(5,888)	-	(8,912)
Capital raising costs	(199)	158	-	(41)
Deferred expense	(878)	878	-	-
Deferred income	-	1,028	-	1,028
Donations	(5)	(48)	-	(53)
Derivatives	(13)	(8,141)	-	(8,154)
Financial assets designated at fair value through OCI	220		31	251
Inventory	1,785	(334)	-	1,451
Prepaid expenditure	71	33	-	104
Fixed assets, mine properties and exploration expenditure	27,860	57,427	-	85,287
Provisions	(15,787)	(200)	-	(15,987)
Borrowing cost	(116)	9	-	(107)
Research and development carried forward tax offset	(1,063)	-	-	(1,063)
Tax losses	(35,016)	(16,794)	-	(51,810)
	(26,165)	**28,128**	**31**	**1,994**

5. Taxation (Continued)

Recognition and measurement

Income Tax

Deferred income tax is provided for using the full liability balance sheet approach.

Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax consolidation

Mount Gibson and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the Tax Consolidation Regime. Using the Group allocation approach, each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity in addition to its own current and deferred tax amounts. The current tax liability of each group entity is then subsequently assumed by the parent entity.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed below.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the Group is based on accounting profit. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under the accounting policy, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Key estimate: recoverability of potential deferred tax assets

The Group recognises deferred tax assets in respect of tax losses to the extent that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred tax assets recognised, which would in turn impact future financial results.

Management has determined that the deferred tax asset held at 30 June 2022 will be utilised within the next three years.

	2022 $'000	2021 $'000

6. Cash and Cash Equivalents

[a] Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	2022 $'000	2021 $'000
Cash at bank and on hand	77,579	95,283
	77,579	**95,283**

Cash at bank earns interest at floating daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at short-term deposit rates.

Recognition and measurement

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity period of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

[b] Reconciliation of the net profit/(loss) after tax to the net cash flows from operations

	2022 $'000	2021 $'000
Net profit/(loss) after tax	(174,116)	64,006
Adjustments to reconcile profit/(loss) after tax to net cash flows:		
Depreciation of property, plant and equipment	17,707	11,559
Depreciation of right-of-use assets	11,673	10,165
Amortisation of capitalised deferred stripping costs	27,799	11,074
Amortisation of other mine properties	17,487	11,591
Impairment of property, plant and equipment	20,912	-
Impairment of right-of-use assets	555	-
Impairment of mine properties	163,166	-
Net (gain) on disposal of property, plant and equipment	(963)	(569)
Interest revenue	(1,972)	(6,290)
Exploration expenses written off	770	146
Share based payments	316	600
Borrowing costs	957	122
Interest accretion on rehabilitation provision	489	261
Net ore inventory movement	(23,209)	14,383
Rehabilitation provision revised estimate adjustment	(39)	(1,796)
Insurance premium funding	9,100	-
(Reversal of)/write down to net realisable value on consumables inventories	1,177	(680)
(Reversal of)/write down to net realisable value on ore inventories	16,235	4,062
Unrealised (gain) on foreign exchange balances	(1,519)	(1,043)
Unrealised marked-to-market (gain)/loss on foreign exchange derivatives	(507)	863
Unrealised marked-to-market (gain)/loss on commodity derivatives	(16,747)	27,359
Unrealised marked-to-market (gain)/loss on financial assets held for trading	7,321	(6,351)
Realised (gain) on sale of financial assets held for trading	(2,682)	(2,091)
Changes in assets and liabilities:		
Decrease in trade and other receivables	1,529	7,822
(Increase) in inventory	869	(4,493)
(Increase)/decrease in prepayments	(5,990)	(3,678)
Decrease in deferred tax assets	(72,407)	26,165
Increase in trade and other payables	24,122	2,288
Increase in employee benefits	670	698
(Decrease) in provision for restructure	-	(521)
(Decrease) in other provisions	(386)	(2,421)
Increase in deferred tax liabilities	(1,715)	1,962
Net Cash Flow from Operating Activities	**20,602**	**165,193**

[c] Non-cash financing activities

There were $10,578,000 of non-cash financing activities relating to leases of right-of-use assets during the year ended 30 June 2022 (2021: $16,936,000).

Notes to the Consolidated Financial Report (continued)

	Notes	2022 $'000	2021 $'000

7. Term Deposits and Subordinated Notes

	Notes	2022 $'000	2021 $'000
Current			
Term deposits – financial assets at amortised cost	[i]	7,500	118,500
Subordinated notes – financial assets at fair value through OCI	[ii]	16,407	79,861
		23,907	**198,361**

[i] Term deposits are made for varying periods of between three and twelve months depending on the cash requirements of the Group and earn interest at market term deposit rates. Term deposits are held with various financial institutions with short term credit ratings of A-2 or better (Standard & Poors). As these instruments have maturity dates of less than twelve months, the Group has assessed the credit risk on these financial assets using life-time expected credit losses. In this regard, the Group has concluded that the probability of default on the term deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the term deposits.

[ii] Subordinated notes comprise tradeable floating interest rate instruments with maturities of up to ten years. These instruments are held in order to supplement the Group's treasury returns, and the Group intends and is able to realise these instruments as and when the Group's cash needs require. Subordinated notes are held with various financial institutions with short-term and long-term credit ratings of A or better (Standard & Poors). The Group has assessed the credit risk on these financial assets and determined that the credit risk exposure has not increased significantly since initial recognition. In determining the expected credit loss for the next twelve months, the Group considers the probability of default to be relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on these notes.

Recognition and measurement

See note 35 for the accounting policy for financial assets classified as financial assets at amortised cost and financial assets at fair value through Other Comprehensive Income (**OCI**).

8. Financial Assets Held for Trading

	2022 $'000	2021 $'000
Current		
Tradeable corporate bonds at fair value through profit or loss	18,609	45,470
Quoted share investments at fair value through profit or loss	5,478	12,466
	24,087	**57,936**

Financial assets held for trading comprise corporate bonds and equity securities which are traded in active markets. These financial assets are acquired principally for the purpose of selling or repurchasing in the short term. The portfolio of tradeable corporate bonds is managed by a professional funds management entity, and Mount Gibson is able to vary or terminate the portfolio management mandate at any time, with applicable notice periods.

Recognition and measurement

See note 35 for the accounting policy for financial assets classified as financial assets at fair value through profit and loss.

9. Trade and Other Receivables

	Notes	2022 $'000	2021 $'000
Current			
Trade debtors – at amortised cost	[a][i]	1,807	684
Expected credit loss		(42)	(42)
		1,765	642
Trade debtors – at fair value through profit or loss	[a][i]	-	5,108
Sundry debtors	[a][ii]	3,141	4,053
Other receivables		1,947	2,750
		6,853	**12,553**

[a] Terms and conditions

Terms and conditions relating to the above financial instruments:

[i] Generally, on presentation of ship loading documents and the provisional invoice, the customer settles 95% of the provisional sales invoice value within 10 days and the remaining 5% is settled within 30 days of presentation of the final invoice. The vast majority of sales are invoiced and received in US dollars (US$). The balance of other trade debtors is invoiced and received in Australian dollars (A$).

[ii] Sundry debtors are non-interest bearing and have payment terms between 30 and 90 days. There is an insignificant probability of default as sundry debtors are short term, have no history of default and customers have passed the Group's internal credit assessment.

Recognition and measurement

See note 35 for the accounting policy for financial assets.

	Notes	2022 $'000	2021 $'000

10. Inventories

Consumables – at cost		24,943	25,100
Write down to net realisable value (**NRV**)		(5,544)	(3,655)
		19,399	21,445
Ore – at cost		28,295	9,147
Write down to NRV		(16,235)	(4,062)
At lower of cost and NRV		12,060	5,085
Total inventories		**31,459**	**26,530**

[i] At 30 June 2022, the Group assessed the carrying values of ore inventories stockpiled at the Mid-West and Koolan Island mine sites. Assumptions used in the assessment include prevailing and anticipated iron ore prices and exchange rates, ore specifications, estimated costs to make the ore inventories available for sale, and associated sales and shipping freight costs.

Based on these assumptions, the following write down on ore inventories was recorded during the financial period:

	2022 $'000	2021 $'000
Mid-West	(4,037)	-
Koolan Island	(12,198)	(4,062)
Total write down to NRV	**(16,235)**	**(4,062)**

Recognition and measurement

Inventories are carried at the lower of cost and net realisable value.

For iron ore, cost comprises direct material, labour and expenditure in getting such inventories to their existing location and condition, based on weighted average costs incurred during the period in which such inventories were produced.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Consumables relating to plant and equipment are recognised as inventory. Consumable stocks are carried at cost less accumulated impairment.

Key estimate

Consumables are written down to net realisable value if considered damaged or, have become wholly or partially obsolete. A new assessment is made of the write down in each subsequent period.

	Notes	2022 $'000	2021 $'000

11. Derivative Financial Assets

	Notes	2022 $'000	2021 $'000
Current			
Foreign currency option contracts	35[b][i]	9	-
Dual currency deposits	35[b][ii]	-	13,143
		9	**13,143**

During the year, the Group had dual currency deposits (**DCD**) derivative contracts where investments in USD were made with the purpose of earning interest at a higher rate than the money market rate and potentially have the USD converted to AUD if the spot rate is equal to or lower than the strike rate at expiry time. The contracts expired in July 2021. At 30 June 2022, there were no DCDs held by the Group. Refer note 35 for further details on derivative financial instruments.

12. Interests in Subsidiaries

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group 2022 %	2021 %
Mount Gibson Mining Limited	Australia	100	100
Geraldton Bulk Handling Pty Ltd	Australia	100	100
Gibson Minerals Limited	Australia	100	100
Aztec Resources Limited	Australia	100	100
• Koolan Shipping Pty Ltd	Australia	100	100
• Brockman Minerals Pty Ltd	Australia	100	100
• Koolan Iron Ore Pty Ltd	Australia	100	100
• KIO SPV Pty Ltd	Australia	100	100

Entities subject to Class Order relief

Pursuant to ASIC Instrument 2016/785, relief has been granted to Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports. As a condition of the Class Order, Mount Gibson Iron Limited, Mount Gibson Mining Limited, Aztec Resources Limited and Koolan Iron Ore Pty Ltd (**Closed Group**) entered into a Deed of Cross Guarantee on 1 May 2008. The effect of this deed is that Mount Gibson Iron Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Mount Gibson Iron Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The Consolidated Income Statement and Balance Sheet of the Closed Group are set out below:

Consolidated Income Statement of the Closed Group

	2022 $'000	2021 $'000
Revenue	140,701	329,727
Interest revenue	1,972	6,290
TOTAL REVENUE	142,673	336,017
Cost of sales	(209,825)	(207,360)
GROSS PROFIT/(LOSS)	(67,152)	128,657
Other income	13,222	10,788
Write-backs/(expected credit loss) of non-current other receivables	(4,912)	2,085
Impairment expenses	(184,633)	-
Administration and other expenses	(2,584)	(49,465)
PROFIT/(LOSS) BEFORE TAX AND FINANCE COSTS	(246,059)	92,065
Finance costs	(1,704)	(829)
PROFIT/(LOSS) BEFORE TAX	(247,763)	91,236
Tax expense/(benefit)	73,647	(27,230)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY	(174,116)	64,006

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	Notes	2022 $'000	2021 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		76,403	95,010
Term deposits and subordinated notes		23,907	198,361
Financial assets held for trading		18,609	45,470
Derivative financial assets		9	13,143
Trade and other receivables		6,492	12,095
Inventories		31,366	26,407
Prepayments		5,456	7,815
Tax receivable		8,767	-
TOTAL CURRENT ASSETS		**171,009**	**398,301**
NON-CURRENT ASSETS			
Other receivables		10,541	16,941
Property, plant and equipment		56,645	63,239
Right-of-use assets		8,476	16,418
Mine properties		372,393	403,983
Prepayments		606	1,047
Deferred tax assets		68,329	-
TOTAL NON-CURRENT ASSETS		**516,990**	**501,628**
TOTAL ASSETS		**687,999**	**899,929**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		86,626	71,817
Employee benefits		5,959	5,381
Interest-bearing loans and borrowings		7,737	11,166
Derivative financial liabilities		209	27,908
Provisions		4,768	5,377
TOTAL CURRENT LIABILITIES		**105,299**	**121,649**
NON-CURRENT LIABILITIES			
Employee benefits		152	102
Interest-bearing loans and borrowings		3,048	5,440
Provisions		46,396	46,887
Deferred tax liabilities		-	6,137
TOTAL NON-CURRENT LIABILITIES		**49,596**	**58,566**
TOTAL LIABILITIES		**154,895**	**180,215**
NET ASSETS		**533,104**	**719,714**
EQUITY			
Issued capital		632,425	620,948
Accumulated losses	[i]	(1,024,277)	(850,161)
Reserves		924,956	948,927
TOTAL EQUITY		**533,104**	**719,714**

[i] **Accumulated losses**

Balance at the beginning of the year	(850,161)	(914,167)
Net profit/(loss) attributable to members of the closed group	(174,116)	64,006
Balance at the end of the year	(1,024,277)	(850,161)

Notes to the Consolidated Financial Report (continued)

13. Property, Plant and Equipment

	Land		Plant and Equipment		Buildings		Capital Works in Progress		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount at cost	649	649	357,060	334,180	160,922	159,518	4,316	13,706	522,947	508,053
Accumulated depreciation and impairment	(549)	(549)	(313,427)	(300,989)	(151,384)	(143,051)	(621)	-	(465,981)	(444,589)
Net carrying amount	**100**	**100**	**43,633**	**33,191**	**9,538**	**16,467**	**3,695**	**13,706**	**56,966**	**63,464**
Reconciliation										
Carrying amount at the beginning of the year	100	100	33,191	27,492	16,467	4,009	13,706	12,992	63,464	44,593
Additions	-	-	28,932	14,668	617	2,544	3,967	13,248	33,516	30,460
Transfers	-	-	12,568	23	789	12,511	(13,357)	(12,534)	-	-
Disposals	-	-	(1,395)	(30)	-	-	-	-	(1,395)	(30)
Depreciation expense	-	-	(13,652)	(8,962)	(4,055)	(2,597)	-	-	(17,707)	(11,559)
Impairment expense (Note 17)	-	-	(16,011)	-	(4,280)	-	(621)	-	(20,912)	-
Carrying amount at the end of the year	**100**	**100**	**43,633**	**33,191**	**9,538**	**16,467**	**3,695**	**13,706**	**56,966**	**63,464**
Assets pledged as security	100	100	43,633	33,191	9,538	16,467	3,695	13,706	56,966	63,464

Refer note 19 for details of security arrangements.

Notes to the Consolidated Financial Report (continued)

13. Property, Plant and Equipment (Continued)

Recognition and measurement

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation

The cost of owned property, plant and equipment directly engaged in mining operations is depreciated over its expected economic life on a units-of-production method, with due regard given to the life of the related area of interest. Leased plant and equipment directly engaged in mining operations is written down to its residual value over the lesser of the lease term and its useful life. Other assets which are depreciated or amortised on a basis other than the units-of-production method typically are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	5 – 20 years
Plant and equipment:	
▪ Motor vehicles	4 – 5 years
▪ Office equipment	3 – 5 years
▪ Leasehold improvements	Shorter of lease term and useful life of 5 – 10 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Individual assets in the cash-generating units are not written down below their recoverable amount. Refer note 17 for further details on impairment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Key judgement, estimates and assumptions

Units of production method of depreciation and amortisation

The Group applies the units-of-production method of depreciation and amortisation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available ore reserves, mineral resources and the production capacity of the operations to be depreciated under this method. Factors that are considered in determining ore reserves, mineral resources and production capacity include the Group's history of converting mineral resources to ore reserves and the relevant timeframes, the complexity of metallurgy, markets and future developments. The Group uses economically recoverable mineral resources (comprising proven and probable ore reserves) to depreciate assets on a units-of-production basis. However, where a mineral property has been acquired and an amount has been attributed to the fair value of mineral resources not yet designated as ore reserves, the additional mineral resources may be taken into account. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to either the 'value-in-use' (being the net present value of expected future cash flows of the relevant cash generating unit) or the 'fair value less cost of disposal'.

In determining value-in-use, future cash flow forecasts for each cash generating unit (i.e. each mine) are prepared utilising management's latest estimates of mine life, mineral resource and ore reserve recovery, operating and development costs, royalties and taxation, and other relevant cash inflows and outflows. Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows is determined utilising a discount rate based on industry weighted average cost of capital.

The Group's cash flows are most sensitive to movements in iron ore prices, the discount rate and key operating costs. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment assessment or losses recognised, if any, which could in turn impact future financial results. Refer note 17 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

14. Right-of-use Assets

	Leased Property		Leased Plant and Equipment		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Gross carrying amount at cost	4,897	4,897	25,447	29,124	30,344	34,021
Accumulated depreciation and impairment	(2,345)	(531)	(18,447)	(15,580)	(20,792)	(16,111)
Net carrying amount	**2,552**	**4,366**	**7,000**	**13,544**	**9,552**	**17,910**
Reconciliation						
Carrying amount at the beginning of the year	4,366	1,170	13,544	10,847	17,910	12,017
Additions	-	4,897	10,578	12,039	10,578	16,936
Disposals	-	(878)	(6,708)	-	(6,708)	(878)
Depreciation	(1,259)	(823)	(10,414)	(9,342)	(11,673)	(10,165)
Impairment expense (Note 17)	(555)	-	-	-	(555)	-
Carrying amount at the end of the year	2,552	4,366	7,000	13,544	9,552	17,910

Recognition and measurement

The group recognises right-of-use assets at the commencement date of the lease (ie. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the lease asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

	Notes	2022 $'000	2021 $'000
15. Deferred Acquisition, Exploration and Evaluation Costs			
Deferred acquisition, exploration and evaluation – at cost		-	-
Allowance for impairment		-	-
		-	**-**
Reconciliation			
Carrying amount at beginning of the year		-	3
Additions		770	4,703
Exploration expenditure written off		(770)	(146)
Transferred to mine properties		-	(4,560)
Carrying amount at the end of the year		-	-

Recognition and measurement

Acquisition costs

Exploration and evaluation costs arising from acquisitions are carried forward where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Exploration and evaluation costs

Costs arising from exploration and evaluation activities are capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves or sale. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Notes to the Consolidated Financial Report (continued)

	2022 $'000	2021 $'000

16. Mine Properties

	2022	2021
Mine properties – at cost	1,819,368	1,642,506
Accumulated amortisation and impairment	(1,446,975)	(1,238,523)
	372,393	**403,983**

	Koolan Island		Mid-West		Total	
	2022	2021	2022	2021	2022	2021
Reconciliation	$'000	$'000	$'000	$'000	$'000	$'000
Deferred stripping costs						
Carrying amount at the beginning of the period	224,225	96,990	10,321	-	234,546	96,990
Capitalised deferred stripping costs	123,320	138,233	8,455	10,397	131,775	148,630
Amortisation expensed	(25,998)	(10,998)	(1,801)	(76)	(27,799)	(11,074)
Impairment expense (Note 17)	(82,347)	-	(16,975)	-	(99,322)	-
Carrying amount at the end of the period	**239,200**	**224,225**	**-**	**10,321**	**239,200**	**234,546**
Other mine properties						
Carrying amount at the beginning of the period	151,332	136,795	18,105	-	169,437	136,795
Additions	44,134	28,657	2,116	10,130	46,250	38,787
Mine rehabilitation – revised estimate adjustment	(1,163)	(2,743)	-	3,629	(1,163)	886
Transferred from deferred acquisition, exploration and evaluation costs	-	-	-	4,560	-	4,560
Amortisation expensed	(15,257)	(11,377)	(2,230)	(214)	(17,487)	(11,591)
Impairment expense (Note 17)	(45,853)	-	(17,991)	-	(63,844)	-
Carrying amount at the end of the period	**133,193**	**151,332**	**-**	**18,105**	**133,193**	**169,437**
Total mine properties	**372,393**	**375,557**	**-**	**28,426**	**372,393**	**403,983**

The security pledged for financing facilities includes mining mortgages over the mining tenements and contractual rights to mine hematite deposits owned by the Group (refer note 19).

Recognition and measurement

Deferred stripping

As part of its mining operations, the Group incurs mining stripping (waste removal) costs both during the development and production phase of its operations.

When stripping costs are incurred in the development phase of a mine before the production phase commences (development stripping), such expenditure is capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method, in accordance with the policy applicable to mine properties. The capitalisation of development stripping costs ceases when the mine or relevant component thereof is commissioned and ready for use as intended by management.

Waste development costs incurred in the production phase create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset within mine properties.

If the costs of the inventory produced and the stripping asset are not separately identifiable, the allocation is undertaken based on the waste-to-ore stripping ratio for the particular ore component concerned. If mining of waste in a period occurs in excess of the expected life-of-component waste-to-ore strip ratio, the excess is recognised as part of the stripping asset. Where mining occurs at or below the expected life-of-component stripping ratio in a period, the entire production stripping cost is allocated to the cost of the ore inventory produced.

Amortisation is provided on the units-of-production method over the life of the identified orebody component. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

16. Mine Properties (Continued)

Other mine properties

Other mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which the mining of mineral resources has commenced. When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on the units-of-production method over the life of the mine, with separate calculations being made for each mineral resource. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment expenses are recognised to the extent that the carrying amount of the mine properties asset exceeds its estimated recoverable amount. Refer to note 17 for further details on impairment.

Key judgement and estimate

Determining the beginning of production

Judgement is required to determine when capitalisation of development costs ceases and amortisation of mine assets commences upon the start of commercial production. This is based on the specific circumstances of the project, and considers when the specific asset is substantially complete and becomes 'available for use' as intended by management which includes consideration of the following factors:

- completion of reasonable testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected levels;
- the ability to produce iron ore in saleable form (where more than an insignificant amount is produced); and
- the achievement of continuous production.

Stripping activity assets

Judgment is required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each orebody component. The Group considers that the ratios of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of orebody, to be the most suitable production measure.

In identifying and defining the orebody components, judgment is required to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are based on the information available in the mine plan which will vary between mines for various reasons, including, the geological characteristics of the orebody, the geographical location and/or financial considerations.

Stripping ratio

Significant judgment is required in determining the waste capitalisation ratio for each component of the mine. Factors that are considered include:

- any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- identifiable components of the orebody;
- future production levels;
- impacts of regulatory obligations and taxation legislation; and
- future cash cost of production.

Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of mineral resources and ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and exchange rates.

The Group regularly reviews the carrying values of its mine development assets in the context of internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability along with property, plant and equipment as described below. Refer note 17 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

17. Impairment of Non-Current Assets

The Group reviews the carrying value of the assets of each Cash Generating Unit (**CGU**) at each balance date for indicators of potential impairment or reversal thereof. Where such indicators exist, the Company utilises the approaches under applicable accounting pronouncements for assessment of any impairment expenses or reversals.

As at 30 June 2022, the following were considered indicators of impairment relating to the Company's operations:

- the market capitalisation of the Group was below the book value of its net assets; and
- the benchmark price of iron ore, being the Company's sole product, decreased 45% from US$218 per dry metric tonne (dmt) of 62% Fe CFR fines as at 30 June 2021 to US$120/dmt as at 30 June 2022, and has declined further since period end.

Accordingly, the Group has performed an impairment assessment on both the Koolan Island and Mid-West (Shine) CGU. Based on this assessment, the following impairment amounts have been recognised in the financial report for each CGU:

	2022 $'000	2021 $'000
Koolan Island	147,400	-
Mid-West	37,233	-
Total loss on impairment of non-current assets	**184,633**	**-**

The above impairment values have been allocated proportionately to each CGU's non-current assets as follows:

		Koolan Island		Mid-West		Total	
	Notes	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred stripping costs	16	82,347	-	16,975	-	99,322	-
Other mine properties	16	45,853	-	17,991	-	63,844	-
Total mine properties		128,200	-	34,966	-	163,166	-
Property, plant and equipment	13	19,200	-	1,712	-	20,912	-
Right-of-use assets	14	-	-	555	-	555	-
Total impairment loss of non-current assets		**147,400**	**-**	**37,233**	**-**	**184,633**	**-**

The Group assessed the recoverable amount of the Koolan Island CGU as at 30 June 2022 using the Fair Value Less Costs of Disposal (**FVLCD**) approach. The FVLCD is assessed as the present value of the future cash flows expected to be derived from the operation less disposal costs (level 3 in the fair value hierarchy), utilising the following key assumptions:

- Cashflow forecasts based on historical performance and budgeted revenues and operating and capital costs over the life of mine;
- Discount rate of 11.25% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR price (northern China), expressed in real 2022 terms, of US$111.63/dmt in 2023 (falling to US$88.48/dmt in 2024, US$79.19/dmt in 2025, US$78.75/dmt in 2026 and thereafter), at an exchange rate of A$1.00/US$0.73 in 2023 (rising to US$0.75 from 2024 and thereafter) with sensitivities undertaken for a broad range of inputs; and
- Cost inflation estimates of 2.0% per year.

Koolan Island CGU's recoverable value is most sensitive to changes in iron ore prices, the A$/US$ exchange rate and mining unit costs. It is estimated that changes in these key assumptions would impact the recoverable amount of the CGU as at 30 June 2022 as follows:

Key Assumption	Change in CGU Recoverable Amount	
	10% Increase $'000	10% Decrease $'000
Benchmark price of 62% Fe CFR fines iron ore	132,054	(138,527)
A$/US$ exchange rate	(94,076)	112,029
Mining unit cost per wmt mined	(42,747)	42,747

Further to the Group's assessment of the Shine asset as at 31 December 2021 using the FVLCD approach (level 3 in the fair value hierarchy), it has been concluded that an additional impairment expense of $555,000 in relation to a right-of-use asset is required as at 30 June 2022. Accordingly, a total loss on impairment of non-current assets for the financial year of $37,233,000 has been recognised in the income statement for the Shine CGU.

The following key assumptions were used in the assessment of the Shine CGU as at 31 December 2021:

- Cashflow forecasts based on historical performance and budgeted revenues and operating and capital costs over the life of mine;
- Discount rate of 9.25% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR price (northern China), expressed in real 2022 terms, of US$110/dmt in 2022 (falling thereafter to US$77/dmt in 2024 and to US$73/dmt in 2026), at an exchange rate of A$1.00/US$0.73 in 2022 (rising to a range of between US$0.76 to US$0.78 from 2023 and thereafter) with sensitivities undertaken for a broad range of these inputs; and

Notes to the Consolidated Financial Report (continued)

- Cost inflation estimates of 2.0% per year.

The Shine asset remains on care and maintenance and it is the Group's intention to restart mining operations at Shine when market conditions justify its economic viability.

Recognition and measurement

Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value-in-use. Recoverable amount is determined for an individual asset, unless the asset's value-in-use cannot be estimated to be close to its fair value less cost of disposal and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The fair value less costs of disposal is assessed as the present value of the future cash flows expected to be derived from the cash-generating unit less disposal costs using forecast iron ore prices and post-tax discount rate that reflects current market assessments.

In allocating an impairment loss, the carrying amount of an individual asset is not taken below its individual recoverable amount.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only where there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortisation charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Key judgement and estimates

Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of mineral resources and ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Group regularly reviews the carrying values of its mine development assets in the context of internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability along with property, plant and equipment as described below.

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of value-in-use (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value-in-use, future cash flow forecasts for each cash generating unit (i.e. each mine) are prepared utilising management's latest estimates of mine life, mineral resource and ore reserve recovery, operating and development costs, royalties and taxation, and other relevant cash inflows and outflows. Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows is determined utilising a discount rate based on industry weighted average cost of capital.

The Group's cash flows are most sensitive to movements in iron ore prices, the discount rate and key operating costs. Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment assessment or losses recognised, if any, which could in turn impact future financial results.

	Notes	2022 $'000	2021 $'000

18. Trade and Other Payables

Current			
Trade creditors – at amortised cost	[i]	24,111	30,705
Accruals and other payables – at amortised cost	[i]	30,960	41,795
Other payables at fair value through profit or loss		32,429	-
		87,500	**72,500**

[i] Current trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms.

Recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. Trade payables, accruals and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	Notes	2022 $'000	2021 $'000

19. Interest-Bearing Loans and Borrowings

Current			
Lease liabilities	[i],[a]	6,315	11,573
Insurance premium funding facility	[b]	1,837	-
		8,152	**11,573**
Non-Current			
Lease liabilities	[i],[a]	3,723	6,530
		3,723	**6,530**
[i] Lease liabilities			
Minimum lease payments for right-of-use assets:			
• Not later than one year		6,459	11,811
• Later than one year but not later than five years		3,782	6,653
Total minimum lease payments		10,241	18,464
Future finance charges		(203)	(361)
		10,038	**18,103**

The following off-balance sheet financing facilities had been negotiated and were available at the reporting date:

Performance bonding facility	[c]		
Used at reporting date		7,495	7,495
Unused at reporting date		12,505	12,505
		20,000	20,000
Corporate loan facility	[c]		
Used at reporting date		-	-
Unused at reporting date		100,000	-
		100,000	-

Terms and conditions relating to the above financing facilities:

[a] Lease Facility

The Group has lease liabilities for right-of-use assets which are repayable monthly with final instalments due in June 2025. Interest is applied at a weighted average incremental borrowing rate of 2.42%.

[b] Insurance Premium Funding Facility

Insurance premium arrangements have been entered into by the Group to fund and spread the cost of its annual insurance premiums. Interest is charged at 2.32% pa. The facility is repayable monthly with the final instalment due in August 2022.

[c] Corporate Loan Facility and Performance Bonding facility

In May 2011, the Company entered into a Facility Agreement comprising a Corporate Loan facility and a Performance Bonding facility. The undrawn Corporate Loan facility was cancelled in April 2013 and subsequently amended and reinstated on 23 December 2021 for a term of 23 months with a loan facility limit of $100,000,000. The loan facility limit reduces to $75,000,000 in June 2023 and to $50,000,000 in September 2023. As at balance date, the Corporate Loan facility remains undrawn.

The Performance Bonding facility was amended in June 2017 to reduce the amount from $55,000,000 to $20,000,000 and in June 2021 the term was extended to 30 June 2024. As at balance date, bonds and guarantees totalling $7,495,000 were drawn under the Performance Bonding facility.

The security pledge for the Facility Agreement is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite iron ore at Extension Hill.

Notes to the Consolidated Financial Report (continued)

Recognition and measurement

The Group adopted AASB 16 using the modified retrospective method of adoption with an initial application date of 1 July 2019.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Other loans and borrowings

All other loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised.

20. Derivative Financial Liabilities

	Notes	2022 $'000	2021 $'000
Current			
Foreign currency option contracts	35[b][i]	209	549
Iron ore collar option contracts		-	27,359
		209	**27,908**

Notes to the Consolidated Financial Report (continued)

21. Provisions

	Road Resealing		Restructure		Decommissioning Rehabilitation		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current	476	488	-	-	4,292	4,889	4,768	5,377
Non-Current	-	-	-	-	46,396	46,887	46,396	46,887
	476	**488**	**-**	**-**	**50,688**	**51,776**	**51,164**	**52,264**
Reconciliation								
Carrying amount at the beginning of the year	488	500	-	521	51,776	54,834	52,264	55,855
Provision for period	-	-	-	-	-	-	-	-
Reversal of amounts unutilised	-	-	-	(521)	-	-	-	(521)
Amounts utilised during the period	(12)	(12)	-	-	(375)	(2,409)	(387)	(2,421)
Interest accretion on rehabilitation provision - expensed	-	-	-	-	489	261	489	261
Revised estimate adjustment – profit or loss	-	-	-	-	(39)	(1,796)	(39)	(1,796)
Revised estimate adjustment – mine properties asset	-	-	-	-	(1,163)	886	(1,163)	886
Carrying amount at the end of the year	**476**	**488**	**-**	**-**	**50,688**	**51,776**	**51,164**	**52,264**

Road resealing
This provision relates to the forecast cost of roadworks associated with the completion of mining activities at Extension Hill mine site.

Decommissioning rehabilitation
This provision represents the present value of decommissioning and rehabilitation costs for the Tallering Peak, Extension Hill, Shine and Koolan Island sites. The cost estimates forming the basis of the provisions (except Tallering Peak site) were prepared as at the end of the financial year by independent consultants specialising in mine closure planning and mine rehabilitation cost estimates. The timing of decommissioning and rehabilitation expenditure is dependent on the life of the mines and on the timing of the rehabilitation requirements, which may vary in the future. Based on current estimates, the bulk of expenditure on decommissioning rehabilitation is expected to be incurred at Extension Hill within the next 1-2 years, and at Shine and Koolan Island within 5 years from balance date.

	2022 $'000	2021 $'000

21. Provisions (Continued)

The following table summarises the decommissioning rehabilitation provision by mine site:

	2022 $'000	2021 $'000
Tallering Peak	488	491
Extension Hill	5,130	5,733
Shine	3,852	3,629
Koolan Island	41,218	41,923
	50,688	51,776

Recognition and measurement

Rehabilitation costs

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and amortised over the remaining life of the area of interest.

Annual increases in the provision relating to the change in the present value of the provision are accounted for in the income statement as borrowing costs.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets.

Restructuring provision

Restructuring provisions are recognised by the Group only when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and that the employees affected have been notified of the plan's main features.

Other Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends have been declared, determined or publicly recommended on or before the balance date.

Key estimate: mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy stated above. Significant judgement is required in determining the provision for mine rehabilitation as there are many factors that will affect the ultimate liability payable to rehabilitate the mine site. These include future development, changes in anticipated rehabilitation activities and costs, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

Notes to the Consolidated Financial Report (continued)

	2022 $'000	2021 $'000
22. Issued Capital		
[a] Ordinary shares		
Issued and fully paid	**632,425**	**620,948**

	Notes	2022 Number of Shares	2022 $'000	2021 Number of Shares	2021 $'000
[b] Movement in ordinary shares on issue					
Balance at the beginning of the financial year		1,179,741,750	620,948	1,151,472,447	602,030
Shares issued under Dividend Reinvestment Plan		22,587,755	11,477	25,688,736	18,337
Shares fully paid under LSP		-	-	2,580,567	581
		1,202,329,505	632,425	1,179,741,750	620,948
Restricted shares – reserved for Loan Share Plan:					
Balance at the beginning of the financial year		6,175,428	-	5,769,595	-
Shares issued under LSP	[f]	2,063,100	-	2,545,900	-
Conversion of fully paid shares under LSP		-	-	(2,580,567)	-
Shares reallotted from treasury shares	[f]	-	-	440,500	-
		8,238,528	-	6,175,428	-
Balance at the end of the financial year		1,210,568,033	632,425	1,185,917,178	620,948
Treasury shares:					
Balance at the beginning of the financial year		-	-	440,500	-
Shares forfeited under LSP, not reallotted		-	-	-	-
Shares reallotted under LSP	[f]	-	-	(440,500)	-
		-	-	-	-

[c] Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective from 1 July 1998, the Corporations legislation abolished the concept of authorised capital and par values. Accordingly, the Company does not have authorised capital nor a par value in respect of its issued shares.

[d] Share options

As at 30 June 2022, there were no options on issue (2021: nil).

Share options carry no right to dividends and no voting rights.

[e] Performance rights

During the year ended 30 June 2022, no Performance Rights were issued.

No Performance Rights vested during the year (2021: nil).

As at 30 June 2022, there were no Performance Rights on issue (2021: nil) – see note 26(c).

[f] Loan Share Plan (in-substance options)

During the year ended 30 June 2022, 2,063,100 shares were issued under the LSP.

2,986,400 shares under the LSP vested during the year (2021: nil).

[g] Capital management

The primary objectives of the Group's capital management program are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, buy back shares or issue new shares or other securities.

No changes were made in the objectives, policy or processes for managing capital during the year ended 30 June 2022.

Notes to the Consolidated Financial Report (continued)

	Notes	2022 $'000	2021 $'000

23. Reserves

	Notes	2022 $'000	2021 $'000
Share based payments reserve	[a]	22,193	21,877
Net unrealised gains reserve	[b]	(64)	588
Dividend distribution reserve	[c]	906,019	929,654
Equity reserves	[d]	(3,192)	(3,192)
		924,956	**948,927**

[a] Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

	2022 $'000	2021 $'000
Balance at the beginning of the year	21,877	21,277
Share based payments	316	600
Balance at the end of the year	22,193	21,877

[b] Net unrealised gains reserve

This reserve records movement for financial assets classified as fair value through other comprehensive income and gains and losses on hedging instruments classified as effective cash flow hedges.

	2022 $'000	2021 $'000
Balance at the beginning of the year	588	515
Change in fair value of cash flow hedges	-	400
Loss on cash flow hedges transferred to the Income Statement	-	(800)
Change in fair value of debt instrument classified as financial assets designated at fair value through other comprehensive income	(932)	504
Deferred income tax on cash flow hedges	280	(31)
Balance at the end of the year	(64)	588

[c] Dividend distribution reserve

This reserve is used to record profits from prior income years for the purpose of future dividend distribution by the Company.

	2022 $'000	2021 $'000
Balance at the beginning of the year	929,654	964,262
Dividends paid during the period	(23,635)	(34,608)
Balance at the end of the year	906,019	929,654

[d] Equity reserves

This reserve is used to record the gain or loss arising from the sale or acquisition of non-controlling interests to or from third party investors.

	2022 $'000	2021 $'000
Balance at the beginning of the year	(3,192)	(3,192)
Movement during the period	-	-
Balance at the end of the year	(3,192)	(3,192)

	Notes	2022 $'000	2021 $'000
24. Accumulated Losses			
Balance at the beginning of the year		(850,161)	(914,167)
Net profit/(loss) attributable to members of the Company		(174,116)	64,006
Balance at the end of the year		**(1,024,277)**	**(850,161)**
25. Expenditure Commitments			
[a] Exploration expenditure commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		358	482
• Later than one year but not later than five years		1,247	1,280
• Later than five years		1,626	1,903
		3,231	**3,665**
[b] Property, plant and equipment commitments	[ii]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		25,622	7,664
• Later than one year but not later than five years		-	-
		25,622	**7,664**
[c] Contractual commitments	[iii]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		12,741	10,812
• Later than one year but not later than five years		-	-
		12,741	**10,812**
[d] Short-term lease commitments	[iv]		
Commitments for the payment of short-term leases:			
• Not later than one year		93	181
		93	**181**

[i] In order to maintain current rights to explore and mine the tenements at its various mines and projects, the Group is required to perform minimum exploration work to meet the expenditure requirements specified by the Department of Mines, Industry Regulation and Safety.

[ii] The Group has contractual commitments to purchase property, plant and equipment at Koolan.

[iii] Amounts disclosed as contractual commitments relate primarily to supplier arrangements at Koolan Island where financial obligations, including minimum notice periods, apply in the case of termination.

[iv] Leases of plant and equipment with lease terms of 12 months or less.

Notes to the Consolidated Financial Report (continued)

	Notes	2022 $'000	2021 $'000

26. Share-Based Payment Plans

(a) Recognised share-based payment expense

	Notes	2022 $'000	2021 $'000
Expense arising from equity-settled share-based payment transactions	4[e]	316	600

The share-based payment plans are described below. There have been no cancellations of any of the plans during 2022 or 2021.

(b) Employee Option Scheme

An Employee Option Scheme has been established where the Company may, at the discretion of the Board, grant options over the ordinary shares of the Company. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of the Company. All Directors, officers and employees are eligible for this scheme. No options were issued during the year ended 30 June 2022. As at balance date, no options over unissued shares were on issue.

(c) Performance Rights Plan

The Company has established a Performance Rights Plan. Rights are granted at no cost to recipients and convert (vest) into ordinary shares on completion by the recipient of minimum periods of continuous service and the satisfaction of specified performance hurdles, including those related to the Company's Total Shareholder Return measured against a comparator group of companies over specified periods.

There were no Performance Rights issued during the year and there were no Performance Rights on issue as at 30 June 2022.

(d) Loan Share Plan

The Company previously established a Loan Share Plan (**LSP**) under which ordinary shares in the Company may be issued to eligible participants, with vesting of the shares being subject to the satisfaction of stipulated market conditions. The shares are issued at their market value with the recipient required to pay this market value in order to take up the share offer. The Company or any of its subsidiaries will provide a loan to fund the acquisition price. The loan is interest-free and is secured against the shares in the form of a holding lock preventing all dealing in the shares. The loan is limited recourse such that if the shares do not ultimately vest and are therefore forfeited, this is treated as full repayment of the loan balance. While the loan balance remains outstanding, any dividends paid on the shares, net of the tax on the dividends, will be automatically applied towards repayment of the loan. In making the loan in respect of the newly issued shares, there is no cash cost to the Company as the shares are newly issued.

On 1 July 2021, the Company issued 2,063,100 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a share price of $0.931 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the issue price is met between 1 July 2022 and 1 July 2026 and the participants remain continuously employed by the Group until at least 1 July 2023. The award was accounted for as an in-substance option award and the fair value at grant date assessed at $0.306 per loan-funded share. In calculating this fair value, a Monte Carlo simulation model was utilised over several thousand simulations to predict the share price at each vesting test date and whether the 10% hurdle would be satisfied, with the resultant values discounted back to the grant date. The underlying share price and the exercise price were assumed at $0.93, the period to exercise was assumed as 3.5 years (being halfway between the first possible vesting date and the expiry of the LSP shares), the risk-free rate was 0.54% based on Australian Government bond yields with three year lives, the estimated volatility was 45% based on historical share price analysis, and the dividend yield was assumed as nil.

The following table shows the number and weighted average exercise prices (**WAEP**) of, and movements in, LSP shares during the year:

	2022 Number of LSP Shares	2022 WAEP[1]	2021 Number of LSP Shares	2021 WAEP[1]
Balance at beginning of the year	6,175,428	$0.60	5,769,595	$0.46
- granted during the year	2,063,100	$0.93	2,986,400	$0.62
- exercised during the year	-	-	(2,580,567) [2]	$0.23
Balance at end of the year	8,238,528	$0.67	6,175,428	$0.60

[1] Weighted average exercise price at balance date after dividend adjustments.
[2] The weighted average share price at the date of exercise of these LSP shares was $0.89.

26. Share-Based Payment Plans (Continued)

Recognition and measurement

Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (**equity-settled transactions**).

Options

There is currently a Directors, Officers, Employees and Other Permitted Persons option plan.

The cost of any options issued under this plan is measured by reference to their fair value at the date at which they are granted. The fair value is typically determined by using a binomial model. No account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

Performance rights

There is a Mount Gibson Iron Limited Performance Rights Plan (**PRP**). The PRP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives.

The cost of Performance Rights issued under the PRP is measured by reference to their fair value at the date at which they are granted. The fair value is determined using either a Black-Scholes or Monte Carlo option valuation model.

Loan share plan

There is a Mount Gibson Iron Limited Loan Share Plan (**LSP**). The LSP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining the executives. This plan is accounted for as an in-substance option award.

The cost of these share rights is measured by reference to the fair value at the date at which they are granted. The fair value is measured by reference to the quoted market price on the Australian Stock Exchange and using a Monte Carlo simulation model.

Equity-Settled Transactions Generally

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (**vesting date**).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, both the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options, Performance Rights and LSP shares is reflected as additional share dilution in the computation of earnings per share.

27. Earnings Per Share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Notes	2022 $'000	2021 $'000
Profit/(loss) used in calculating basic and diluted earnings/(loss) per share:			
Profit/(loss) attributable to ordinary equity holders of the Company		(174,116)	64,006
		Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share		1,196,326,732	1,172,259,464
Effect of dilution			
- Restricted shares (in-substance options)	(i)	-	1,634,672
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share		1,196,326,732	1,173,894,136
Earnings/(loss) per Share (cents per share):			
Basic earnings/(loss) per share		(14.55)	5.46
Diluted earnings/(loss) per share		(14.55)	5.45

(i) 8,238,528 restricted shares that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they were antidilutive for the reporting period.

Conversions, calls, subscriptions or issues after 30 June 2022

There have been no issues of shares or exercises, conversions or realisations of options, performance rights or restricted LSP shares under any of the Company's share-based payment plans since 30 June 2022.

Recognition and measurement

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the company, adjusted for:

i) costs of servicing equity (other than dividends) and preference share dividends;
ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Consolidated Financial Report (continued)

	2022 $'000	2021 $'000

28. Dividends Paid and Proposed

Declared and paid during the year:

[a] Dividends on ordinary shares:

During the year ended 30 June 2022, a final dividend of $0.02 per share fully franked ($23,760,000) in respect of the 2020/21 financial year was distributed by way of $12,158,000 in cash and the issue of 22,587,755 new shares under the Company's Dividend Reinvestment Plan.

[b] Dividends not recognised at the end of the reporting period:

The Company has not declared a dividend for the year ended 30 June 2022.

[c] Franked dividends:

		2022 $'000	2021 $'000
The amount of franking credits available for the subsequent financial year are:			
Franking account balance as at the end of the financial year at 30%		-	1,416
Franking credits that will arise from the payment of income tax payable as at the end of the financial year		-	-
The amount of franking credits available for future reporting periods:		**-**	**1,416**
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period		-	(10,183)
	(i)	**-**	**(8,767)**

(i) During the year ended 30 June 2022, the Company paid $8,767,000 in income tax which reinstated the franking account balance to nil.

Tax rates

The tax rate at which paid dividends have been franked is 30%.

29. Contingent Liabilities

1. The Group has a Performance Bonding facility drawn to a total of $7,495,000 as at balance date (2021: $7,495,000). The performance bonds secure the Group's obligations relating primarily to environmental matters and infrastructure assets.
2. Certain claims arising with customers, employees, consultants, and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

30. Key Management Personnel

[a] Compensation of Key Management Personnel

	2022 $	2021 $
Short-term	2,967,996	2,839,903
Post employment	160,015	143,712
Long-term	28,970	36,287
Share-based payment	315,654	600,267
	3,472,635	**3,620,169**

[b] Other Transactions and Balances with Key Management Personnel

There were no other transactions and balances with key management personnel during the year.

Notes to the Consolidated Financial Report (continued)

31. Related Party Transactions

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the year, Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**) which has a 37.40% beneficial shareholding in Mount Gibson Iron Ltd.

During the period, a sale agreement was in place with a director-related entity for the sale of 20% of iron ore from Koolan Island's available mined production over the life of mine to APAC.

During the financial year, the Group sold 387,784 wmt (2021: 386,966 wmt) of iron ore to APAC.

Amounts recognised at the reporting date in relation to director-related entity transactions:

	2022 $'000	2021 $'000
Assets and Liabilities		
Current Assets		
Receivables – APAC	-	-
Total Assets	**-**	**-**
Current Liabilities		
Payables – APAC	7,133	1,797
Total Liabilities	**7,133**	**1,797**
Sales Revenue		
Sales revenue – APAC	40,530	49,486
Total Sales Revenue (before shipping freight)	**40,530**	**49,486**

Apart from the above, there are no director-related entity transactions other than those specified in note 30.

32. Auditor's Remuneration

	2022 $	2021 $
Amounts received or due and receivable by EY for:		
▪ Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	268,226	219,908
▪ Other services in relation to the entity and any other entity in the consolidated entity	2,359	3,109
	270,585	**223,017**

Notes to the Consolidated Financial Report (continued)

33. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the executive management team in assessing performance and in determining the allocation of resources.

For management purposes, the Group has organised its operating segments into two reportable segments as follows:

- Mid-West segment – this segment includes the crushing, transportation and sale of iron ore from the Shine iron ore deposits and the port facilities at Geraldton Port.
- Koolan Island segment – this segment includes the mining, crushing and sale of iron ore direct from the Koolan Island iron ore operation.

Operating results for each reportable segment are reviewed separately by management for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Except as noted below, the accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

For the purposes of segment reporting, revenue is disclosed net of shipping freight costs, on a Free on Board (FOB) basis and includes quotation period price adjustments and realised gains and losses on foreign exchange and commodity forward sale contracts.

There have been no inter-segment revenues.

Items that are managed on a Group basis and are not allocated to segments as they are not considered part of core operations of any segment are as follows:

- Finance costs and revenue on investments
- Interest revenue
- Foreign exchange gains/(losses)
- Unrealised gains/(losses) on derivatives
- Corporate costs

During the year ended 30 June 2022, revenue received from the sale of iron ore comprised purchases by the following (unnamed) buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2022 $'000
# 1	71,929
# 2	40,530
# 3	22,336
Other	5,906
	140,701

During the year ended 30 June 2021, revenue received from the sale of iron ore comprised purchases by the following (unnamed) buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2021 $'000
# 1	194,927
# 2	71,362
# 3	49,486
Other	13,952
	329,727

Revenue from external customers by geographical location is based on the port of delivery. All iron ore has been shipped to China during the year ended 30 June 2022.

All segment assets are located within Australia.

Notes to the Consolidated Financial Report (continued)

33. Segment Information (Continued)

	Mid-West		Koolan Island		Unallocated*		Consolidated	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives	19,337	65,288	111,746	246,364	-	-	131,083	311,652
Interest revenue	-	-	-	-	1,972	6,290	1,972	6,290
Segment revenue, net of shipping freight	**19,337**	**65,288**	**111,746**	**246,364**	**1,972**	**6,290**	**133,055#**	**317,942#**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	(6,257)	21,268	35,697	150,160	760	(30,004)	30,200	141,424
Write down of inventories to net realisable value (i)	(4,719)	-	(12,693)	(4,062)	-	-	(17,412)	(4,062)
Impairment expenses (ii)	(37,233)	-	(147,400)	-	-	-	(184,633)	-
Earnings/(loss) before interest, tax, depreciation and amortisation	(48,209)	21,268	(124,396)	146,098	760	(30,004)	(171,845)	137,362
Depreciation and amortisation	(7,483)	(1,726)	(66,524)	(41,983)	(659)	(680)	(74,666)	(44,389)
Segment result	**(55,692)**	**19,542**	**(190,920)**	**104,115**	**101**	**(30,684)**	**(246,511)**	**92,973**
Finance costs							(1,730)	(840)
Profit/(loss) before tax							**(248,241)**	**92,133**
(i) Write down of inventories to net realisable value:								
Write down of consumables inventories	682	-	495	-	-	-	1,177	-
Write down of ore inventories	4,037	-	12,198	4,062	-	-	16,235	4,062
	4,719	-	12,693	4,062	-	-	17,412	4,062
(ii) Impairment expenses (note 17):								
Impairment of property, plant and equipment	1,712	-	19,200	-	-	-	20,912	-
Impairment of right-of-use assets	555	-	-	-	-	-	555	-
Impairment of mine properties	34,966	-	128,200	-	-	-	163,166	-
	37,233	-	147,400	-	-	-	184,633	-

* 'Unallocated' includes interest revenue of $1,972,000 (2021: $6,290,000), net realised gain on foreign exchange transactions of $1,026,000 (2021: $6,467,000 loss), net marked-to-market gain on commodity derivatives of $16,747,000 (2021: $27,359,000 loss), unrealised marked-to-market loss on financial assets held for trading of $7,321,000 (2021: $6,351,000 gain) and corporate expenses such as head office salaries and wages.

To reconcile segment revenue to statutory revenue, shipping freight of $9,618,000 (2021: $18,075,000) is added.

Notes to the Consolidated Financial Report (continued)

33. Segment Information (Continued)

	Mid-West		Koolan Island		Unallocated*		Consolidated	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Segment assets								
Current financial assets	5,034	9,258	53,833	29,354	73,568	338,664	132,435	377,276
Other current assets	1,022	8,307	33,891	24,235	11,002	2,013	45,915	34,555
Property, plant and equipment	930	3,862	55,774	59,048	262	554	56,966	63,464
Right-of-use assets	1,076	10,858	7,000	5,084	1,476	1,968	9,552	17,910
Mine properties	-	28,426	372,393	375,557	-	-	372,393	403,983
Other non-current assets	-	-	606	1,047	-	-	606	1,047
Deferred tax assets	-	-	-	-	72,407	-	72,407	-
Total assets	**8,062**	**60,711**	**523,497**	**494,325**	**158,715**	**343,199**	**690,274**	**898,235**
Segment liabilities								
Financial liabilities	4,311	29,447	88,814	56,513	6,459	32,551	99,584	118,511
Other liabilities	9,889	10,526	45,336	45,459	2,361	2,031	57,586	58,016
Deferred tax liabilities	-	-	-	-	-	1,994	-	1,994
Total liabilities	**14,200**	**39,973**	**134,150**	**101,972**	**8,820**	**36,576**	**157,170**	**178,521**
Net assets/(liabilities)	**(6,138)**	**20,738**	**389,347**	**392,353**	**149,895**	**306,623**	**533,104**	**719,714**

* 'Unallocated' current financial assets include cash and cash equivalents of $25,358,000 (2021: $68,732,000), term deposits of $7,500,000 (2021: $118,500,000), subordinated notes of $16,407,000 (2021: $79,861,000), financial assets held for trading of $24,087,000 (2021: $57,936,000), trade debtors and other receivables of $207,000 (2021: $492,000) and derivatives of $9,000 (2021: $13,143,000).
'Unallocated' financial liabilities include trade and other payables of $2,873,000 (2021: $2,646,000), interest-bearing loans and borrowings of $3,377,000 (2021: $1,997,000) and derivatives of $209,000 (2021: $27,908,000).

34. Events After the Balance Sheet Date

On 12 August 2022, a fire occurred in the product sizing screen area within the Koolan Island crushing plant during a scheduled maintenance shutdown. No personnel were injured. Mining and related site activities have continued and recovery plans for crushing and shipping have been developed. It is anticipated that up to 40% of the plant output capacity can be achieved from late August for an interim period, after which mobile crushing facilities will be engaged to increase processing capacity while repairs are completed. Sufficient crushed ore stockpiles were on hand at the time of the incident to meet immediate shipping requirements. Shipping rates beyond August will depend on the outcome and progress of the repair and recovery plans. The financial impact of this event is not currently ascertainable and will be reflected in future financial reports as appropriate.

Apart from the above, as at the date of this report there are no significant events after balance date of the Company or of the Group that require adjustment of or disclosure in this report.

35. Financial Instruments

[a] Financial risk management objectives

The Group's principal financial instruments, other than derivatives, comprise bank, cash and short-term deposits, financial assets held for trading, trade and other receivables, trade and other payables, and lease liabilities.

The main purpose of these financial instruments is to manage short term cash flows for the Group's operations.

The Group has various other financial instruments such as trade receivables and trade creditors, which arise directly from its operations.

The Group also enters into derivatives transactions, principally forward currency contracts, and from time to time also enters into foreign currency collar options and iron ore swaps. The purpose is to manage the currency and commodity price risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, commodity price risk and liquidity risk. The Board reviews and agrees management's recommended policies for managing each of these risks, as summarised below and in accordance with the Company's Financial Risk Management Policy.

[b] Foreign currency risk

The Group is exposed to the risk of adverse movement in the A$ compared to the US$ as its iron ore sales receipts are predominantly denominated in US$. The Group has used derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ sales transactions in accordance with its risk management policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cashflows attributable to changes in the A$/US$ exchange rate and to protect against adverse movements in this rate.

The Group recognises derivative financial instruments at fair value at the date the derivative contract is entered into. The Group applies hedge accounting to forward foreign currency contracts and collar option contracts that meet the criteria of cash flow hedges.

At 30 June 2022, the notional amount of the foreign exchange hedge book totalling US$30,000,000 is made up exclusively of collar option contracts with maturity dates in the 6 months ended 28 December 2022 and with an average cap price of A$1.00/US$0.7280 and an average floor price of A$1.00/US$0.6635.

As at 30 June 2022, the net marked-to-market unrealised loss on the total outstanding US dollar foreign exchange hedge book of US$30,000,000 was $200,000. This was recognised in the profit or loss as at balance date.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group uses the following derivative instruments to manage foreign currency risk from time to time as business needs and conditions dictate:

Instrument	Type of Hedging	Objective
Forward exchange contracts	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate.
Collar options	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate by limiting exposure to exchange rates within a certain range of acceptable rates.

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

[i] Foreign exchange contracts – cash flow hedges

At balance date, the following foreign exchange contracts designed as a hedge of anticipated future receipts that will be denominated in US$ were outstanding:

	2022				2021			
	Average Contract Rate A$/US$	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value A$ $'000	Average Contract Rate A$/US$	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value A$ $'000
Collar Option Contracts								
Within one year:		18,000	24,324	(209)		2,500	3,185	(26)
- *call strike price*	*0.7400*				*0.7850*			
- *put strike price*	*0.6625*				*0.7470*			
Within one year:		12,000	16,902	9		15,000	19,108	(234)
- *call strike price*	*0.7100*				*0.7850*			
- *put strike price*	*0.6649*				*0.7453*			
Within one year:						15,000	19,108	(289)
- *call strike price*					*0.7850*			
- *put strike price*					*0.7449*			
Total		**30,000**	**41,226**	**(200)**		**32,500**	**41,401**	**(549)**

At balance date, the following foreign exchange contracts were recognised on the balance sheet and income statement:

	Notes	2022 $'000	2021 $'000
Current assets	11	9	-
Current liabilities	20	(209)	(549)
Total collar option contracts		(200)	(549)

[ii] Dual currency deposits

At balance date, the following dual currency deposit contracts were outstanding:

	2022					2021				
	Strike Rate A$/US$	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value A$ $'000	Carrying Amount A$ $'000	Strike Rate A$/US $	Contract Amount US$ $'000	Contract Amount A$ $'000	Fair Value $'000	Carrying Amount A$ $'000
Within one year:	-	-	-	-	-	0.7585	10,000	13,301	(158)	13,143
Total		-	-	**-**	-		**10,000**	**13,301**	**(158)**	**13,143**

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

[iii] Foreign currency sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 10% change in the A$ against the US$ from the spot rates at 30 June 2022 and 30 June 2021.

Sensitivity to a 10% change in A$ against US$ at balance date	Net Profit 2022 $'000	Net Profit 2021 $'000	Other Comprehensive Income 2022 $'000	Other Comprehensive Income 2021 $'000
10% appreciation in the A$ spot rate with all other variables held constant	(1,147)	(5,226)	1,524	1,530
10% depreciation in the A$ spot rate with all other variables held constant	1,403	6,387	(2,237)	(3,201)

The sensitivity analysis of the Group's exposure to the foreign currency risk at balance date has been determined based on the change in value due to foreign exchange movement based on exposures at balance sheet date. A positive number indicates an increase in profit and other comprehensive income.

At balance date, the Group's exposure to foreign currency risks on financial assets and financial liabilities, excluding derivatives, which are primarily denominated in US dollars, are as follows:

		2022 $'000	2021 $'000
Financial Assets			
Cash	(included within note 6)	50,402	67,368
Trade and other receivables	(included within note 9)	-	5,108
Dual currency deposits	(included within note 11)	-	13,301
Financial Liabilities			
Trade and other payables	(included within note 18)	(32,369)	(3,655)
Net exposure		**18,033**	**82,122**

The net exposure in US dollars at balance date is U$12,423,000 (2021: U$61,740,000).

[c] Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, term deposits and subordinated notes, trade debtors, financial assets at fair value through profit or loss and financial assets held for trading (tradeable corporate bonds).

The Group's policy is to manage its interest costs using a mix of fixed and variable rate debt (as appropriate).

The Group regularly analyses its interest income rate exposure. Within this analysis, consideration is given to potential renewals of existing positions and alternative financing arrangements.

At balance date, the Group's exposure to interest rate risks on financial assets and financial liabilities was as follows:

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

CONSOLIDATED	Floating interest rate 2022 $'000	Floating interest rate 2021 $'000	Fixed interest rate maturing in: 1 year or less 2022 $'000	1 year or less 2021 $'000	Over 1 to 5 years 2022 $'000	Over 1 to 5 years 2021 $'000	Non-interest bearing 2022 $'000	Non-interest bearing 2021 $'000	Total carrying amount per balance sheet 2022 $'000	Total carrying amount per balance sheet 2021 $'000	Weighted Average Interest 2022 %	Weighted Average Interest 2021 %
i) ***Financial assets***												
Cash	77,578	95,282	-	-	-	-	1	1	**77,579**	**95,283**	0.36	0.09
Term deposits	-	-	7,500	118,500	-	-	-	-	**7,500**	**118,500**	1.42	0.34
Subordinated notes	16,407	79,861	-	-	-	-	-	-	**16,407**	**79,861**	1.85	1.21
Financial assets held for trading	-	-	18,609	45,470	-	-	5,478	12,466	**24,087**	**57,936**	3.14	2.50
Trade and other receivables	-	-	-	-	-	-	6,853*	12,553*	**6,853**	**12,553**	-	-
Derivative financial assets	-	-	-	13,143	-	-	9	-	**9**	**13,143**	-	7.12
Total financial assets	**93,985**	**175,143**	**26,109**	**177,113**	**-**	**-**	**12,341**	**25,020**	**132,435**	**377,276**		
ii) ***Financial liabilities***												
Trade and other payables	-	-	-	-	-	-	87,500	72,500	**87,500**	**72,500**	-	-
Interest-bearing loans and borrowings	-	-	8,152	11,573	3,723	6,530	-	-	**11,875**	**18,103**	2.42	2.52
Derivative financial liabilities	-	-	-	-	-	-	209	27,908	**209**	**27,908**	-	-
Total financial liabilities	**-**	**-**	**8,152**	**11,573**	**3,723**	**6,530**	**87,709**	**100,408**	**99,584**	**118,511**		

* These financial assets expose the Group to interest rate risk as they are carried at fair value.

35. Financial Instruments (Continued)

[i] Interest rate sensitivity

The following table details the effect on profit and other comprehensive income after tax of a 0.25% change in interest rates, in absolute terms.

Sensitivity of a 0.25% change in interest rates	Net Profit 2022 $'000	Net Profit 2021 $'000	Other Comprehensive Income 2022 $'000	Other Comprehensive Income 2021 $'000
• 0.25% increase in interest rate with all other variables held constant	81	462	-	-
• 0.25% decrease in interest rate with all other variables held constant	(81)	(462)	-	-

The sensitivity analysis of the Group's exposure to Australian variable interest rates at balance date has been determined based on exposures at balance sheet date. A positive number indicates an increase in profit and equity.

[d] Credit risk

The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to forward exchange and collar exchange contracts is the full amount of the foreign currency it will be required to pay or purchase when settling the forward or collar exchange contract, should the counterparty not pay the currency it is committed to deliver to the Group.

The majority of the Group's customers are located in China. The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers and by the use of advance payments and letters of credit which effectively protect at least 95% of the estimated receivable amount at the time of sale.

Credit risk from balances with banks and financial institutions is managed in accordance with a Board-approved policy. Investments of surplus funds are made only with approved counterparties with an acceptable Standard & Poor's credit rating and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board on an ongoing basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. No material exposure is presently considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

There are no significant concentrations of credit risk within the Group.

[e] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sells iron ore to its customers. The majority of the Group's sales revenue is derived under long term sales contracts. The pricing mechanism in these contracts reflects a market based clearing index. The pricing mechanism adopts the Platts Iron Ore Index Price (**Platts Index**) which is published daily for iron ore "fines" with Fe content ranging from 52% to 65% and is quoted on a US$ per dry metric tonne "Cost and Freight" North China basis. "Lump" iron ore typically receives a premium to the published Platts Index "fines" price.

During the period, the Group had collar option contracts covering 270,000 dry metric tonnes (**dmt**) of iron ore, with maturity dates spread over the period July 2021 to December 2021. The average price of the collar option contracts at each maturity date was between U$120 and US$212 per dmt. Movements in the market value of the collar option contracts are taken to the income statement.

35. Financial Instruments (Continued)

The Group enters into provisionally priced ore sales contracts and iron ore collar option contracts, for which price finalisation is referenced to relevant market indices at specified future dates. The Group's exposure at balance date to the impact of movements in the iron ore price upon provisionally invoiced sales volumes and iron ore collar derivatives is set out below:

Sensitivity at Balance Date	2022 $'000	2021 $'000
Ore Sales Revenue:		
- 10% increase in iron ore prices	9,771	5,078
- 10% decrease in iron ore prices	(9,771)	(5,078)
Iron Ore Collar Options:		
- 10% increase in iron ore prices	-	(7,089)
- 10% decrease in iron ore prices	-	7,089

The sensitivities have been determined as the dollar impact of a 10% increase and decrease in benchmark iron ore prices on trade receivables subject to provisional pricing and on derivatives financial liabilities at each reporting date, while holding all other variables, including foreign exchange rates, constant. The relationship between iron ore prices and exchange rates is complex, and movements in exchange rates can impact commodity prices. The above sensitivities should therefore be used with caution.

[f] Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash reserves. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group's capital risk management objectives are to safeguard the business as a going concern, to provide appropriate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital (being equity and debt).

Mount Gibson does not have a target debt/equity ratio but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

At 30 June 2022, the Group had unutilised performance bonding facilities totalling $12,505,000 (2021: $12,505,000). Refer note 19.

Tabulated below is an analysis of the Group's financial liabilities according to relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the balance sheet.

	30 June 2022					30 June 2021				
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities										
Trade and other payables	87,500	-	-	-	87,500	72,500	-	-	-	72,500
Interest-bearing loans and borrowings	5,998	2,305	3,782	-	12,085	7,040	4,771	6,653	-	18,464
Derivatives	209	-	-	-	209	27,807	101	-	-	27,908
	93,707	**2,305**	**3,782**	**-**	**99,794**	**107,347**	**4,872**	**6,653**	**-**	**118,872**

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

[g] Fair value of financial assets and financial liabilities

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – valuation techniques (for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 – valuation techniques (for which the lowest level of input that is significant to the fair value measurement is unobservable)

The fair values of derivative financial instruments (including dual currency deposits) are sourced from an independent valuation by the Group's treasury advisors using the valuation techniques with prevailing short and long term observable market inputs sourced from Reuters/Bloomberg to determine an appropriate mid-price valuation (level 2).

The fair values of quoted notes and bonds (classified as either financial assets held for trading or at fair value through other comprehensive income) are determined based on market price quotations at the reporting date (level 1).

The fair values of trade receivables classified as financial assets at fair value through profit or loss are determined using a discounted cash flow model incorporating market observable inputs sourced from Platts index pricing (level 2). This model also incorporates interest rate and credit risk adjustments.

The fair values of cash, short-term deposits, other receivables, trade and other payables and other interest-bearing borrowings approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 30 June 2022 and 30 June 2021 are shown below.

	Notes	2022 Carrying Amount $'000	2022 Fair Value $'000	2021 Carrying Amount $'000	2021 Fair Value $'000
Financial assets					
Cash	6	77,579	77,579	95,283	95,283
Term deposits	7	7,500	7,500	118,500	118,500
Subordinated notes	7	16,407	16,407	79,861	79,861
Financial assets held for trading	8	24,087	24,087	57,936	57,936
Derivatives	11	9	9	13,143	13,143
Trade debtors and other receivables	9	6,853	6,853	12,553	12,553
		132,435	132,435	377,276	377,276
Financial liabilities					
Trade and other payables	18	87,500	87,500	72,500	72,500
Interest-bearing loans and borrowings	19	11,875	11,875	18,103	18,103
Derivatives	20	209	209	27,908	27,908
		99,584	99,584	118,511	118,511
Net financial assets		**32,851**	**32,851**	**258,765**	**258,765**

Recognition and measurement

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (**OCI**), or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under the revenue accounting policy (see note 3).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (**SPPI**) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (**EIR**) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include term deposits, trade receivables (not subject to provisional pricing) and other receivables (see notes 7 and 9).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading (see note 8), financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

As the Group applies the SPPI test to determine the classification of financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables subject to provisional pricing (see note 9). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on an index price at the end of the relevant quotational period stipulated in the contract. This exposure to the market-based index price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in other revenue (see note 3).

Financial assets at fair value through OCI

The Group measures debt instruments at fair value though OCI if both of the following conditions are met: -

- The financial asset is held with a business model with both the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms meet the SPPI test.

For debt instruments at fair value through OCI, interest income and impairment losses are recognised in profit and loss and computed in the same manner as for financial assets carried at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit and loss.

The Group's debt instruments at fair value through OCI includes the subordinated notes (see note 7).

Impairment of financial assets

The Group recognises an allowance for expected credit losses (**ECLs**) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (**12-month ECL**). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (**lifetime ECL**).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL when there has not been a significant increase in credit risk since origination. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains and losses arising from changes in the fair value of derivatives, except those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. All hedges are currently classified as cash flow hedges.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Effectiveness is tested at inception of each hedge and monthly thereafter until the hedge expires. The cumulative dollar offset method is applied in the measurement of effectiveness. The cumulative approach involves comparing the cumulative change (to date from inception of the hedge) in the hedging instrument's fair values to the cumulative change in the hedged item's (or USD cash flow) attributable to the risk being hedged.

Effectiveness of the forward exchange contracts is monitored by comparing the forward net present value of the underlying cash flows to the forward net present value of the fair value associated with the hedging instrument. Prospective and retrospective testing is undertaken by the Group's treasury advisors.

At each balance date, the Group measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over hedged, the ineffective portion is taken immediately to other income or expense in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

36. Parent Entity Information

	2022 $'000	2021 $'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	17,378	3,900
Total assets	1,134,332	1,254,459
Current liabilities	477	289
Total liabilities	601,228	534,745
Issued capital	632,425	620,948
Issued capital – restricted shares under Loan Share Plan	6,248	4,328
Accumulated losses	(463,501)	(286,938)
Dividend distribution reserve	335,739	359,499
Share based payments reserve	22,193	21,877
Total Shareholder's Equity	533,104	719,714
Net profit/(loss) after tax of the parent entity	(176,563)	63,017
Total comprehensive profit/(loss) of the parent entity	(176,563)	63,017

Notes to the Consolidated Financial Report (continued)

[b] Details of any guarantees entered into by the parent entity

There are cross guarantees given by Mount Gibson Iron Limited in relation to the debts of its subsidiaries as described in note 12 and note 19.

The parent entity has further provided bank guarantees in respect of obligations to various authorities. Refer to note 19.

[c] Details of any contingent liabilities of the parent entity

The parent entity had contingent liabilities as at reporting date as set out in note 29. For information about guarantees given by the parent entity, refer [b] above.

[d] Details of any contractual commitments by the parent entity for the acquisition of property, plant and equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

[e] Tax Consolidation

The Company and its 100%-owned entities have formed a tax consolidated group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Mount Gibson Iron Limited.

Notes to the Consolidated Financial Report (continued)

37. New and Amended Accounting Standards and Interpretations

B. New and amended Accounting Standards and Interpretations adopted from 1 July 2021

Since 1 July 2021, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2021. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group.

B. New and amended Accounting Standards and Interpretations issued but not yet effective

Other Australian Accounting Standards and Interpretations relevant to the Group that have recently been issued or amended but are not yet effective for the Group's reporting period, have not been adopted by the Group for the period ended 30 June 2022 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2020-3	Amendments to AASB 3 – Reference to the Conceptual Framework	When the revised Conceptual Framework was issued in 2018, its application to AASB 3 was excluded, requiring entities to apply the definitions of an asset and a liability (and supporting concepts) in the previous Framework. This exemption responded to concerns that, in some cases, the revised definitions might change which assets and liabilities qualify for recognition in a business combination. As a consequence, post-acquisition accounting required by other standards could lead to immediate derecognition of such assets or liabilities, causing 'day 2 gains or losses' to arise, which do not depict economic reality. The IASB has now assessed the impact of the revised definitions of assets and liabilities in the Conceptual Framework to business combinations, concluding that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after acquisition by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The IASB updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. The AASB released the equivalent amendments to AASB 3 in June 2020. These amendments are applied prospectively. Earlier application is permitted.	1 January 2022	1 July 2022
AASB 2020-3	Amendments to AASB 137 *Onerous Contracts* – Cost of Fulfilling a Contract	AASB 137 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable cost is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. AASB 137 does not specify which costs to include in determining the cost of fulfilling a contract. Consequently, AASB 137 was amended to clarify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises all costs that relate directly to the contract, which includes both the: ► Incremental costs of fulfilling that contract (e.g., materials and labour); and ► An allocation of other costs that relate directly to fulfilling contracts (e.g., depreciation of property, plant and equipment) An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Comparative information is not restated. Instead, the cumulative effect of initially applying the amendments is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. Earlier application is permitted.	1 January 2022	1 July 2022

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2020-3	Amendments to AASB 116 *Property, Plant and Equipment* - Proceeds before Intended Use	Under AASB 116 *Property, Plant and Equipment*, net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 112 *Inventories*. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards. These amendments are applied retrospectively, but only to items of property, plant and equipment that are 'ready to use' on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments — 'ready to use' meaning the asset is in the location and condition necessary to be capable of operating in the manner intended by management. Earlier application is permitted.	1 January 2022	1 July 2022
AASB 2020-3	Amendments to AASB 9 *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018-2020 Cycle)	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by the "10 per cent" test. That is, when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test. These amendments are applied prospectively. Earlier application is permitted.	1 January 2022	1 July 2022
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments are applied prospectively. Earlier application is permitted.	1 January 2022	1 July 2022

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically: ► The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ► Management intention or expectation does not affect classification of liabilities. ► In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period. In response to this possible outcome, the AASB has proposed further amendments: ► Specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date ► Adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months ► Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date ► Deferring the effective date of the original amendments to no earlier than 1 January 2024 These amendments are applied retrospectively. Earlier application is permitted.	1 January 2023	1 July 2023
AASB 2021-2	Amendments to AASB 108 – Definition of Accounting Estimates	An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. ► For example, a change in a valuation technique used to measure the fair value of an investment property from market approach to income approach would be treated as a change in estimate rather than a change in accounting policy. ► In contrast, a change in an underlying measurement objective, such as changing the measurement basis of investment property from cost to fair value, would be treated as a change in accounting policy. The amendments did not change the existing treatment for a situation where it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate. In such a case, the change is accounted for as a change in an accounting estimate. The amendments are applied prospectively. Earlier application is permitted.	1 January 2023	1 July 2023

Notes to the Consolidated Financial Report (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2021-2	Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	The amendments to AASB 101 *Presentation of Financial Statements* require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards. The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information. Earlier application of the amendments is permitted.	1 January 2023	1 July 2023
AASB 2021-5	Amendments to AASs – Deferred Tax related to Assets and Liabilities from a Single Transaction	AASB 112 *Income Taxes* requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be: ► Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted; or ► Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit. Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless specifically prohibited by AASB 112. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as: ► Recognising a right-of-use asset and a lease liability when commencing a lease. ► Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset. Some entities have previously recognised deferred tax consequences for these types of transactions, having concluded that they did not qualify for the initial recognition exception. The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply from the beginning of the earliest comparative period presented to: ► All transactions occurring on or after that date ► Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date. The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. Earlier application of the amendments is permitted.	1 January 2023	1 July 2023

The Group has elected not to early adopt any of these new standards or amendments in these financial statements. The Group intends to adopt these standards when they become effective. An impact assessment of the standards issued but not yet effective has not been performed.

Directors' Declaration

In accordance with a resolution of the directors of Mount Gibson Iron Limited, I state that:

1. In the opinion of the Directors:

   a. the financial statements, notes and the additional disclosures included in the Directors Report designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the financial position of the Group as at 30 June 2022 and of its performance for the year ended on that date; and

      ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and

   b. the financial statements and notes also comply with International Reporting Standards as disclosed in note 1; and

   c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

Signed in accordance with a resolution of the directors.

LEE SENG HUI
Chairman

Date: 24 August 2022

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Independent auditor's report to the members of Mount Gibson Iron Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mount Gibson Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Fire at Koolan Island subsequent to the financial year end

We draw attention to Note 34 of the financial report, which describes the effects of a fire at the Group's Koolan Island crushing plant on 12 August 2022. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary as a consequence of the fire subsequent to year end. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed each matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Provision for rehabilitation

Why significant	How our audit addressed the key audit matter
As a consequence of its operations the Group incurs obligations to rehabilitate and restore its mine sites. Rehabilitation activities are governed by local legislative requirements. As at 30 June 2022, the Group's consolidated balance sheet includes provisions of $51.2 million (including the road resealing provision) in respect of these obligations (refer to note 21). We considered this to be a key audit matter because estimating the costs associated with these future activities requires judgement and estimation for factors such as timing of when rehabilitation will take place, the extent of the rehabilitation and restoration activities and economic assumptions such as inflation rates and discount rates which are used to determine the provision amount.	We evaluated the assumptions and methodologies used by the Group in arriving at their rehabilitation cost estimates. In doing so we: ▶ Involved our climate change and sustainability services specialists to assess the competence, qualifications and objectivity of the Group's external experts whose work formed the basis of the Group's cost estimate. ▶ Tested the reasonableness of the timing of the rehabilitation cashflows and the resultant inflation and discount rate assumptions used in the Group's provision estimates, having regard to available economic data on future inflation and discount rates. ▶ Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations in the financial report and considered the treatment applied to changes in the rehabilitation and restoration provision.

Building a better working world

2. Impairment assessment for the Koolan Island and Mid-West Cash Generating Units

Why significant	How our audit addressed the key audit matter
The value of the Group's property, plant and equipment and mine property assets at 30 June 2022 was $429.4 million. Of this total amount $428.2 million related to the Koolan Island cash generating unit (CGU) and $0.3 million to the Mid-West (Shine) CGU. *Koolan Island CGU* Management undertook an impairment trigger assessment at 30 June 2022 and determined that impairment triggers were present in respect of the Koolan Island CGU. Accordingly, management performed an impairment assessment for the Koolan Island CGU at 30 June 2022 and based on this assessment concluded that an impairment charge of $147.4 million was required (refer to note 17). *Shine CGU* Management undertook an impairment trigger assessment at 31 December 2021 and 30 June 2022 and concluded that an impairment trigger had occurred in respect of the Shine CGU. Accordingly, management performed an impairment assessment for the Shine CGU at 31 December 2021 and reassessment at 30 June 2022 and based on these assessments concluded that an impairment charge of $37.2 million was required (refer to note 17). We considered this to be a key audit matter because of the significant judgement and estimation required in the determination of the recoverable amount of both the Koolan Island and Shine CGUs including assumptions relating to future iron ore prices, exchange rates, operating and capital costs and an appropriate discount rate to reflect the risk associated with the forecast cash flows having regard to the current status of the project.	We assessed the reasonableness of the Group's impairment assessment process and the recoverable amount of both the Koolan Island and Shine CGUs. Our audit procedures included the following: ▸ In conjunction with our valuation specialists, we evaluated the reasonability of key input assumptions and valuation methodologies used by the Group to determine recoverable amount. We assessed the key input assumptions such as forecast foreign exchange rates, forecast iron ore price assumptions and discount rate with reference to market prices (where available), market research, market practice, market indices and broker consensus. ▸ Tested the mathematical accuracy of the Group's discounted cash flow model used to measure recoverable amount and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the Group's feasibility studies for both the Koolan Island and Shine CGUs and the latest Board approved life of mine plan. ▸ Assessed the work of the Group's internal and external experts with respect to the capital and operating assumptions used in the cash flow forecasts. This included understanding the underlying cost estimation process, information in Board reports and releases to the market. We also examined the competence, qualifications and objectivity of the experts and assessed whether key capital and operating expenditure assumptions were consistent with information in Board reports and releases to the market. ▸ Assessed the work of the Group's experts with respect to the reserve assumptions used in the cash flow forecasts. This included understanding the Group's reserve estimation process. We also examined the competence, qualifications and objectivity of the Group's experts, and assessed whether key reserve economic assumptions were consistent with those used elsewhere in the financial report. ▸ Assessed the impact of a range of sensitivities to the economic assumptions underpinning the Group's impairment assessment. ▸ Evaluated the adequacy of the Group's disclosures in the financial report with respect to the Group's impairment assessment and resultant impairment expense for both the Koolan Island and Shine CGUs.

Information other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
Perth
24 August 2022