APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2022 HALF-YEAR FINANCIAL STATEMENTS

This Half-Year Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period:	Half-Year ended 31 December 2022
Previous Corresponding Period:	Half-Year ended 31 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Up 431% to	$152.7
Profit from continuing operations before tax	Up 112% to	$10.8
Net profit after tax attributable to members of the Company	Up 111% to	$7.4

DIVIDENDS

An interim dividend for the half-year ended 31 December 2022 has not been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2022	31 December 2021
Net tangible assets	*A$ mill*	$540.8	$642.0
Fully paid ordinary shares on issue at balance date	*#*	1,214,419,333	1,210,568,033
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	44.5	53.0

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

None.

STATUS OF AUDIT

This Half-Year Report is based on accounts that have been reviewed by Mount Gibson's statutory auditors.

NOTICE

It is recommended that the Half-Year Report be read in conjunction with Mount Gibson's Annual Financial Report for the year ended 30 June 2022 and any public announcements made by Mount Gibson during and after the half-year ended 31 December 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

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2022

Financial Report

For the half-year ended 31 December 2022

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2022 for the Group incorporating Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson**") and the entities that it controlled during the half-year ("**Group**").

CURRENCY

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

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Lee Seng Hui	*Chairman, Non-Executive Director*
Simon Bird	*Lead Independent Non-Executive Director*
Alan Jones	*Independent Non-Executive Director*
Russell Barwick	*Independent Non-Executive Director*
Paul Dougas	*Independent Non-Executive Director*
Ding Rucai	*Non-Executive Director*
Andrew Ferguson	*Alternate Director to Lee Seng Hui*

Peter Kerr is the Chief Executive Officer. David Stokes is the Company Secretary.

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 of the Group and has prepared a consolidated half-year financial report incorporating the entities that it controlled during the half-year.

Nature of Operations and Principal Activities

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

- mining, processing and direct shipment of hematite iron ore at the Koolan Island mine site in the Kimberley region of Western Australia;
- care and maintenance of the Shine hematite iron ore site and related infrastructure, rehabilitation works at the Extension Hill mine site and management of the Geraldton Port facilities in the Mid-West region of Western Australia;
- treasury management; and
- the pursuit of mineral resources acquisitions and investments.

OPERATING AND FINANCIAL REVIEW

Overview of the Half-Year Period

The Group's financial result for the half-year ended 31 December 2022 was a net profit after tax of $7,361,000 compared with a net loss after tax of $65,599,000 in the prior corresponding half-year. On a pre-tax basis, the Group realised a profit before tax of $10,834,000 for the half-year compared with a loss before tax of $93,474,000 in the prior corresponding half-year period.

The result for the six-month period reflected the effective completion of major waste-stripping and upper footwall ground support programs at Koolan Island aimed at enabling significantly higher ore production and sales over the remaining life of the operation. During the period, increasing high-grade ore production was offset by lower iron ore prices and the impact on sales of a fire in August 2022 in the product sizing screen area of the Koolan Island crushing plant during a scheduled maintenance shutdown. No personnel were injured, and mining activities continued largely in line with plan. However, ore processing capacity was significantly reduced which restricted ore sales during the half-year period. Interim crushing arrangements were implemented to allow processing and shipments to continue at a reduced rate while the plant repairs were progressed, with a view to regaining full capacity in the March quarter of 2023 and significantly increasing shipments of 65% Fe ore thereafter.

At the beginning of the half-year, the Platts Index price for delivery of 62% Fe iron ore fines to northern China was US$116 per dry metric tonne ("**dmt**"), and steadily eased over the following four months to a low of US$79.50/dmt in late October 2022, mainly due to weaker global economic conditions reflecting ongoing COVID-19 restrictions in China and rising inflation exacerbated by the Russia-Ukraine war. Iron ore prices began to recover toward the end of the reporting period, as China flagged its intentions to ease its long-standing COVID-19 restrictions and incentivise economic recovery, ending the reporting period at US$117/dmt CFR and averaging US$101/dmt for the six-month period. A volatile but generally weaker Australian dollar also provided some offset to lower prices, peaking at A$1.00/US$0.712 in August 2022 and falling as low as US$0.625 in October 2022, to average US$0.670 for the half-year. This compared with US$0.720 in the immediately preceding six-month period and US$0.732 in the previous corresponding half-year. At period end, the Australian dollar was trading at US$0.678.

Group ore sales for the half-year totalled 1.1 million wet metric tonnes ("**Mwmt**") of high-grade fines material from Koolan Island. Sales revenue totalled $152,028,000 comprising $152,495,000 Free On Board ("**FOB**") revenues (including quotational period price adjustments of $8,356,000) and $467,000 of realised losses from foreign exchange hedging contracts. Sales revenue was higher than in the previous corresponding half-year period in which sales totalled 0.7 Mwmt of mostly lower grade material from satellite resources at Koolan Island and the now suspended Shine operation in the Mid-West. Koolan Island fines, grading 65% Fe, realised an average price of US$94/dmt FOB in the reporting period.

Total cash and investment reserves comprising cash and cash equivalents, term deposits, subordinated notes and financial assets held for trading, reduced by $84,446,000 over the half-year period from $125,573,000 to $41,127,000 as at 31 December 2022, notably reflecting the impact of the August fire on costs, ore processing and sales, whilst deliberately building ore production in line with plan. This investment in inventory has generated substantial stockpiles of high-grade ore available for processing as crushing capacity is regained and will allow substantial catch-up of sales during 2023.

Mount Gibson has a $100 million revolving credit facility with HSBC of which $25 million was drawn as at 31 December 2022. In addition to this facility, debt comprises lease liabilities, an insurance premium funding facility and an off-balance sheet performance bonding facility.

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2022 are tabulated below.

Consolidated Group		31 December 2022 $'000	31 December 2021 $'000
Net profit/(loss) before tax	*$'000*	**10,834**	**(93,474)**
Tax benefit/(expense)	*$'000*	(3,473)	27,875
Net profit/(loss) after tax	*$'000*	**7,361**	**(65,599)**
Earnings/(loss) per share	*cents/share*	0.61	(5.51)

Consolidated operating and sales statistics for the half-year period are tabulated below:

Consolidated Group	Unit	Sep Quarter 2022	Dec Quarter 2022	Dec Half-Year 2022	Dec Half-Year 2021
Mining and crushing					
Total waste mined	*kwmt*	3,647	3,015	**6,662**	**11,650**
Total ore mined	*kwmt*	915	1,005	**1,921**	**822**
Total ore crushed	*kwmt*	607	936	**1,543**	**954**
Shipping/sales					
Standard Lump	*kwmt*	-	-	**-**	**178**
Standard Fines	*kwmt*	451	665	**1,116**	**137**
Low grade Fines	*kwmt*	-	-	**-**	**380**
Total	*kwmt*	451	665	**1,116**	**695**
Average Platts 62% Fe CFR price	*US$/dmt*	103	99	**101**	**136**
Average Platts 65% Fe CFR price	*US$/dmt*	115	111	**113**	**159**
MGX FOB average realised fines price – Koolan Island	*US$/dmt*	96	92	**94**	**-***

Minor discrepancies may occur due to rounding.
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 December 2021 half-year 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.
For the purpose of wet to dry tonnage conversion, moisture content typically averages approximately 2-3% for Koolan Island fines.

Koolan Island Operations

The Koolan Island mine is located in the Buccaneer Archipelago, approximately 140km north of Derby, in the Kimberley region of Western Australia. Significant operational progress continued to be achieved at Koolan Island in the half-year as the benefits of completion of the major bulk waste stripping and upper footwall ground support programs took effect, and the focus of activity was on substantially increased high-grade ore production and sales to maximise cashflow over the remainder of the mine-life.

Mining activities

High-grade ore production and mine performance improved in line with plan as mining access to the high-grade ore zones within the Main Pit expanded and the waste-to-ore stripping ratio declined as scheduled. Total material movement was 8.6 Mwmt of waste and ore in the half-year period, including 1.9 Mwmt of high grade ore, compared with 0.5 Mwmt of lower and medium grade ore mined in the previous corresponding half-year period and 1.0 Mwmt of ore mined in the immediately preceding June 2022 half-year. This reflected the reducing stripping ratio, which is a key driver of operating costs at Koolan Island, and continued to decline as planned to average 3.5:1 in the December 2022 half-year, compared with 7.2:1 in the June 2022 half-year. The stripping ratio is expected to decline further to 1:1 in the June 2023 half-year to average 2:1 for the 2022/23 financial year and circa 1.2:1 over the remaining life of the operation from mid-2023.

Maintaining high levels of ore production from the Main Pit has enabled substantial mined ore stockpiles to be assembled to facilitate rapid catch-up of shipments in 2023 as processing capacity returns. As at 31 December 2022, mined ore stockpiles totalling approximately 0.8 Mwmt had been established with current market value of over $100 million at prevailing market prices once crushed.

Processing and fire recovery progress

Sales and financial performance were adversely impacted by the reduced ore processing capacity caused by a fire in the product sizing screen area of the processing plant in mid-August 2022. No personnel were injured, and mining activities continued largely in line with plan, whilst interim modifications to the unaffected primary sections of the processing plant and mobilisation of mobile crushing equipment enabled processing and shipping at reduced rates to be achieved. The fire limited September quarter sales to six shipments. Successful optimisation work delivered better than anticipated fines ore recovery enabling the Company to achieve a targeted baseline of three shipments per month in the December quarter, resulting in 15 shipments for the half-year.

Ore tonnage processed in the half-year totalled 1.5 Mwmt (including rehandle). The processing plant repairs to the damaged screenhouse area progressed during the period and are scheduled to be completed in the March 2023 quarter, albeit with some delays to the original plan given the transport and logistics impacts of the Kimberley flooding events during early January 2023 in the wake of ex-tropical cyclone Ellie. Mount Gibson incorporates reasonable allowances for periodic interruption during the Kimberley wet season into its production plans. These floods have had little direct impact on site operations, but have caused major supply chain disruptions across the region, in particular to road transport between Broome and Derby and the barging of equipment and supplies to Koolan Island.

The Company has engaged a mobile crushing contractor to work alongside the main processing plant in order to accelerate the recoupment of shipment volumes deferred due to the August fire incident. Mobilisation of the contractor's crushing equipment has also been adversely impacted by logistics delays arising from the recent Kimberley flooding events, and this equipment is now expected to be operational in March 2023.

Mount Gibson maintains relevant property damage and business interruption insurance cover for the Koolan Island operations and has submitted its initial interim property damage claim to insurers. The first progress payment of approximately $2.6 million is anticipated to be paid shortly and has not been included in the December 2022 half-year results.

Sales

Total Koolan Island ore sales for the half-year totalled 1.1 Mwmt of high-grade fines, consistent with the Company's guidance, and 179% greater than the prior half-year. The average grade of all shipments was 65.0% Fe and future shipments are expected to be maintained around this level.

Once the main plant is fully operational, the shipping rate is scheduled to increase to at least 4-5 shipments per month. Shipments from Koolan Island are undertaken in Panamax vessels which typically carry cargoes totalling 70,000-80,000 tonnes of iron ore.

Sales from Koolan Island are made under long term offtake agreements on FOB terms, with pricing referencing high-grade (65% Fe) market indices and Panamax shipping freight rates, specification adjustments and penalties for impurities. Provisional prices are recorded following shipment departure and the final pricing ultimately reflects monthly iron ore price averages up to two months after the month of shipment. Accordingly, the Company is subject to provisional pricing adjustments in subsequent periods.

Realised pricing

The Platts 62% Fe CFR iron ore price averaged US$101/dmt for the half-year with the high-grade 65% Fe CFR fines averaging US$113/dmt, being a grade-adjusted 7% premium to the benchmark 62% Fe price. The lower average iron ore prices were partly offset by the weaker value of the Australian dollar, which averaged US$0.670 for the half-year.

After touching a three year low in November 2022, iron ore prices have since risen to recent levels above US$120/dmt for 62% Fe fines and approximately US$140/dmt for 65% Fe fines, as China has begun easing COVID-19 restrictions. Market commentary is increasingly positive with regard to the medium-term outlook for iron ore demand.

Ore sales revenue reflected an average realised price of US$94/dmt FOB for the half-year.

Shipping freight rates for journeys from Koolan Island to northern China also further declined to an average of US$15/tonne in the half-year, compared with an average of US$20/tonne in the preceding half-year.

Cashflow and operating costs

The mine generated a profit before interest and tax of $19,803,000 in the half-year, significantly above the loss of $46,158,000 in the prior corresponding half-year. Despite this, the result was below targeted levels, reflecting the impacts of the processing plant fire on sales, costs associated with the interim crushing arrangements and crusher repairs, and the continued build of substantial ore stocks to enable sales deferred by the fire to be caught up over the course of 2023.

The operating cash outflow from the Koolan Island operation for the half-year was $25,218,000, also a significant improvement on the previous half-year outflow of $157,365,000 and reflecting the continued strategy of mining in accordance with the existing plan to build substantial high-grade iron ore inventories while the processing plant repairs are undertaken. As noted, the mined ore stockpiles have a current market value in excess of $100 million once processed.

Revenues for the half-year totalled $152,028,000, with the key outflow items being cash operating costs ($48,051,000), the continued build of high-grade iron ore inventories ($67,223,000), royalties ($14,326,000), crusher repair and interim processing arrangement costs ($9,457,000), advanced waste stripping investment ($11,020,000) and sustaining and project capital costs ($27,170,000).

Koolan Island's unit cash costs were $80/wmt sold FOB in the half-year before inventory build, major project costs and royalties, which reflect the significantly reduced waste stripping activity and increased shipping volumes in the December 2022 half-year. As the interim crushing arrangements are implemented and processing plant repairs are completed, shipping volumes and unit costs will improve over the June 2023 half-year.

Production statistics for the December 2022 half-year are tabulated below:

Koolan Island Production Summary	**Unit**	**Sep Quarter 2022 '000**	**Dec Quarter 2022 '000**	**Dec Half-Year 2022 '000**	**Dec Half-Year 2021 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	3,647	3,015	**6,662**	**8,811**	*(24)*
Standard ore mined	*wmt*	915	1,005	**1,920**	**504**	*281*
Crushing						
Lump	*wmt*	-	-	**-**	**217**	-
Fines	*wmt*	607	936	**1,543**	**396**	*291*
		607	**936**	**1,543**	**612**	***153***
Shipping/Sales						
Fines	*wmt*	451	665	**1,116**	**400**	*179*
		451	**665**	**1,116**	**400**	***179***

Minor discrepancies may appear due to rounding.

Mid-West Operations

The Mid-West operations comprise the suspended Shine iron ore mine, rehabilitation activities at the Extension Hill site and the Company's bulk storage and export facilities at the port of Geraldton.

The Mid-West operations generated a profit before interest and tax of $1,419,000 for the half-year (compared with a loss of $59,006,000 after impairment in the comparative half-year period), reflecting income of $4,299,000 from the ongoing Mid-West rail credit refund and costs associated with the care and maintenance of the Shine mine site and rehabilitation activities at Extension Hill.

The Company continues to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder based upon the usage by third parties of specific segments of the railway network. Further information regarding this refund is set out on the following page.

Mount Gibson made the decision to suspend operations at the Shine iron ore mine in response to the rapid deterioration in market conditions in late 2021. The site remains on low-cost care and maintenance whilst economic assessment of the project viability continues in the context of market conditions.

The Company continues to receive and consider external enquiries relating to its Mid-West infrastructure assets, in particular key rail sidings and port storage sheds, and receives income from third parties for usage arrangements. Discussions remain in progress regarding further arrangements for utilisation of spare capacity within those infrastructure assets.

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. Mount Gibson has avoided significant disruption from COVID-related absenteeism during the half-year and continues to evolve its approach to COVID management as appropriate.

Financial Position

The key components of the reduction of $84,446,000 in total cash and investment reserves during the half-year are tabulated below and reflect the following business activities in the period:

- *Koolan Island* - Significant progress was achieved with regard to increasing high grade ore production whilst reducing the waste-to-ore strip ratio following effective completion of the bulk stripping phase and remedial upper footwall ground support work in Main Pit. A fire in the processing plant in August 2022 subsequently restricted ore sales in the period and incurred additional costs related to the processing plant repairs and interim processing arrangements. Simultaneously, significant working capital investment was undertaken to maintain ore production at planned rates and build substantial ore stockpiles for processing as crushing capacity is regained. This is intended to enable a rapid acceleration of ore sales once crusher repairs are completed in the March 2023 quarter.
- *Corporate and Other* – Key expenditure related to corporate, administration, rehabilitation (for closed sites) and exploration activities, net of interest income and the historical Mid-West rail credit.

Cashflow Summary	**Koolan Island $'000**	**Mid-West (Shine) $'000**	**Corporate & Other $'000**	**Total $'000**
Operating cashflow before project and capital expenditure	22,429	(1,428)	(5,554)	15,447
Project expenditure:				
Koolan Island crusher repairs and interim processing arrangements	(9,457)	-	-	(9,457)
Capital expenditure:				
Advanced waste stripping (capitalised deferred stripping costs)	(11,020)	-	-	(11,020)
Mine development (including ground support activities)	(18,241)	-	-	(18,241)
Sustaining capital, equipment purchase, exploration and other	(8,929)	-	(806)	(9,735)
	(25,218)	**(1,428)**	**(6,360)**	**(33,006)**
Realised net hedging losses				(467)
Other financing activities and net working capital movements				(50,973)
Total movement in cash and investment reserves in the period				**(84,446)**

As at the balance date, the Group's current assets totalled $198,012,000 and its current liabilities totalled $82,291,000. Accordingly, as at the date of this report, the Group has sufficient funds, as well as access to further equity and debt sources, to operate and sell iron ore from its operations and to advance its growth objectives.

Derivatives

At 31 December 2022, the Group held foreign exchange collar option contracts covering the conversion of US$9,000,000 into Australian dollars over January to March 2023 with an average guaranteed cap price of A$1.00/US$0.7000 and an average floor price, below which Mount Gibson does not participate, of A$1.00/US$0.6476. These collar contracts had a fair value unrealised net gain at balance date of $30,000.

Extension Hill Rail Refund/Credit Receivable

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 $1,900,000 per quarter, with payments due every six months. The total amount received during the six months ended 31 December 2022 was $3,821,000, taking cumulative total proceeds received since the first payment to $28,100,000.

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 combined market value of $5,118,000 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 at the Butcher's Track prospect north of the

Company's Tallering Peak mine site, approximately 160km northeast of Geraldton. Activity during the half-year period included securing necessary heritage clearances, field mapping, sampling and an initial program of diamond core drilling near Tallering Peak. Further diamond and RC drilling was scheduled to commence near Tallering Peak and Butcher's Track in early 2023.

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 at the Company's sites, maintain 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 the 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

Allowing for the impacts of disruption to transport logistics resulting from the Kimberley flooding events in early 2023, Mount Gibson presently anticipates achieving ore sales around the lower end of its existing guidance of 3.2-3.7 Mwmt for the 2022/23 financial year, with the balance to be promptly recouped in the following financial year, and for unit cash operating costs to be around the upper end of existing guidance of $70-75/wmt FOB (before royalties).

DIVIDENDS

There were no dividends paid during the half-year ended 31 December 2022.

An interim dividend for the half-year ended 31 December 2022 has not been declared.

SIGNIFICANT EVENTS AFTER BALANCE DATE

As at the date of this report there are no significant events after balance date of the Group that require adjustment of or disclosure in 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.

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 8, which forms part of this report.

Signed in accordance with a resolution of the Directors.

Lee Seng Hui
Chairman
21 February 2023

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

As lead auditor for the audit of the half-year financial report of Mount Gibson Iron Limited for the half-year ended 31 December 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 review;

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

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

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

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
21 February 2023

Interim Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Revenue	3[a]	152,028	27,339
Interest revenue	3[b]	717	1,450
TOTAL REVENUE		**152,745**	**28,789**
Cost of sales	4[a]	(136,773)	(100,921)
GROSS PROFIT/(LOSS)		**15,972**	**(72,132)**
Other income	3[c]	8,548	8,695
Impairment of property, plant and equipment		-	(1,712)
Impairment of right-of-use assets	13	(867)	-
Impairment of mine properties		-	(34,966)
Net foreign exchange loss	4[c]	(1,124)	-
Net marked-to-market gain	4[d]	1,084	16,973
Administration and other expenses	4[e]	(10,230)	(9,880)
PROFIT/(LOSS) BEFORE TAX AND FINANCE COSTS		**13,383**	**(93,022)**
Finance costs	4[b]	(2,549)	(452)
PROFIT/(LOSS) BEFORE TAX		**10,834**	**(93,474)**
Tax benefit/(expense)	5	(3,473)	27,875
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**7,361**	**(65,599)**
Earnings/(loss) per share (cents per share)			
▪ basic earnings/(loss) per share		0.61	(5.51)
▪ diluted earnings/(loss) per share		0.61	(5.51)

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2022

	31 December 2022 $'000	31 December 2021 $'000
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX	**7,361**	**(65,599)**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	559	(114)
Reclassification adjustments for gain/(loss) on cash flow hedges transferred to the Income Statement	(467)	228
Change in fair value of debt instrument classified as financial assets designated at fair value through other comprehensive income	-	(308)
Deferred income tax	(28)	58
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**64**	**(136)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**7,425**	**(65,735)**

Interim Consolidated Statement of Financial Position

	Notes	31 December 2022 $'000	30 June 2022 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	35,603	77,579
Term deposits and subordinated notes	7	250	23,907
Financial assets held for trading	8	5,274	24,087
Derivative financial assets		30	9
Trade and other receivables	9	50,602	15,620
Inventories	10	92,850	31,459
Prepayments		13,403	5,689
TOTAL CURRENT ASSETS		**198,012**	**178,350**
NON-CURRENT ASSETS			
Property, plant and equipment	11	59,205	56,966
Right-of-use assets		30,136	9,552
Deferred exploration and evaluation costs		669	-
Mine properties	12	355,611	372,393
Prepayments		386	606
Deferred tax assets		68,905	72,407
TOTAL NON-CURRENT ASSETS		**514,912**	**511,924**
TOTAL ASSETS		**712,924**	**690,274**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		51,511	87,500
Employee benefits		6,222	6,247
Interest-bearing loans and borrowings	14	19,840	8,152
Derivative financial liabilities		-	209
Provisions		4,718	4,768
TOTAL CURRENT LIABILITIES		**82,291**	**106,876**
NON-CURRENT LIABILITIES			
Employee benefits		195	175
Interest-bearing loans and borrowings	14	42,005	3,723
Provisions		47,638	46,396
TOTAL NON-CURRENT LIABILITIES		**89,838**	**50,294**
TOTAL LIABILITIES		**172,129**	**157,170**
NET ASSETS		**540,795**	**533,104**
EQUITY			
Issued capital	15	632,425	632,425
Accumulated losses		(1,016,916)	(1,024,277)
Reserves		925,286	924,956
TOTAL EQUITY		**540,795**	**533,104**

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		90,236	31,591
Proceeds from rail credit		3,821	4,213
Payments to suppliers and employees		(147,540)	(88,756)
Interest paid		(765)	(209)
NET CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		**(54,248)**	**(53,161)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		815	1,630
Proceeds from sale of property, plant and equipment		2,168	361
Purchase of property, plant and equipment		(13,382)	(23,963)
Proceeds from term deposits		7,250	111,000
Proceeds from sale of subordinated notes		16,310	29,197
Proceeds from sale of financial assets held for trading		20,055	17,314
Payment for financial assets held for trading		(1,863)	(2,015)
Proceeds from other financial assets		136	-
Proceeds from the sale of derivative financial assets		-	13,301
Settlement of derivative financial liabilities		-	(10,612)
Payment for deferred exploration and evaluation expenditure		(773)	(492)
Payment for mine development		(32,188)	(116,114)
NET CASH FLOWS PROVIDED/(USED) IN INVESTING ACTIVITIES		**(1,472)**	**19,607**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	-
Proceeds from borrowings		25,000	-
Repayment of lease liabilities		(5,308)	(6,302)
Repayment of insurance premium funding facility		(5,259)	(1,803)
Payment of borrowing costs		(627)	(130)
Dividends paid		-	(12,158)
NET CASH FLOWS PROVIDED/(USED) IN FINANCING ACTIVITIES		**13,806**	**(20,393)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(41,914)	(53,947)
Net foreign exchange difference		(62)	710
Cash and cash equivalents at beginning of period		77,579	95,283
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**35,603**	**42,046**

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Attributable to Equity Holders of the Parent						
	Issued Capital $'000	Accumulated Losses $'000	Share Based Payments Reserve $'000	Net Unrealised Gains / (Losses) Reserve $'000	Dividend Distribution Reserve $'000	Other Reserves $'000	Total Equity $'000
At 1 July 2021	**620,948**	**(850,161)**	**21,877**	**588**	**929,654**	**(3,192)**	**719,714**
Loss for the period	-	(65,599)	-	-	-	-	**(65,599)**
Other comprehensive loss	-	-	-	(136)	-	-	**(136)**
Total comprehensive loss for the period	**-**	**(65,599)**	**-**	**(136)**	**-**	**-**	**(65,735)**
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	-	-	158	-	-	-	**158**
At 31 December 2021	**632,425**	**(915,760)**	**22,035**	**452**	**906,019**	**(3,192)**	**641,979**
At 1 July 2022	**632,425**	**(1,024,277)**	**22,193**	**(64)**	**906,019**	**(3,192)**	**533,104**
Profit for the period	-	7,361	-	-	-	-	**7,361**
Other comprehensive income	-	-	-	64	-	-	**64**
Total comprehensive income for the period	**-**	**7,361**	**-**	**64**	**-**	**-**	**7,425**
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	-	-	**-**
- Shares issued under DRP	-	-	-	-	-	-	**-**
Share-based payments	-	-	266	-	-	-	**266**
At 31 December 2022	**632,425**	**(1,016,916)**	**22,459**	**-**	**906,019**	**(3,192)**	**540,795**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2022

1. Corporate Information

The consolidated financial report of the Group, comprising the Company and the entities that it controlled during the half-year ended 31 December 2022, was authorised for issue in accordance with a resolution of the Directors on 21 February 2023.

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, the care and maintenance of the Shine hematite iron ore site and related infrastructure assets in 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.

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* The half-year financial report:

- does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited for the year ended 30 June 2022. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson during and subsequent to the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules;
- has been prepared on a historical cost basis, except for derivatives and certain financial assets measured at fair value; and
- 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**") Instrument 2016/191. The Company is an entity to which the Instrument applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

2.2 New standards, interpretations and amendments adopted by the Group

Since 1 July 2022, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2022. 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 2022, except for the adoption of new standards and interpretations as of 1 July 2022. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group. The Group has not yet early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the Half-Year Financial Report

	Notes	31 December 2022 $'000	31 December 2021 $'000
3. Revenue and Other Income			
[a] Revenue			
Revenue from contracts with customers – sale of iron ore		144,139	37,235
Revenue from contracts with customers – freight/shipping services		-	9,812
		144,139	47,047
Other revenue:			
Quotation period price adjustments – relating to prior period shipments		(513)	(13,061)
Quotation period price adjustments – relating to current period shipments		8,869	(5,734)
Realised gain/(loss) on foreign exchange hedging contracts		(467)	(913)
		152,028	27,339
[b] Interest revenue			
Interest revenue – calculated using the effective interest method		61	176
Interest revenue - other		656	1,274
		717	1,450
[c] Other income			
Net realised gain on foreign exchange transactions		-	613
Net unrealised gain on foreign exchange balances		-	715
Net gain on disposal of property, plant and equipment		1,887	361
Net realised gain on financial assets held for trading		-	42
Insurance proceeds		131	1,030
Rail credit income		4,299	4,113
Other income		2,231	1,821
		8,548	8,695
4. Expenses			
[a] Cost of sales			
Mining and administration costs		110,056	117,370
Depreciation of property, plant and equipment – mining and site administration		3,039	6,902
Depreciation of right-of-use assets – mining and site administration		4,168	4,425
Capitalised deferred stripping costs	12[a]	(11,020)	(87,800)
Amortisation of capitalised deferred stripping costs	12[a]	29,440	8,960
Amortisation of mine properties	12[a]	17,181	6,916
Pre-production expenditure capitalised		-	(438)
Crushing costs		21,879	8,552
Depreciation of property, plant and equipment – crushing		2,668	683
Depreciation of right-of-use assets – crushing		607	1,519
Transport costs		261	14,404
Port costs		2,886	5,886
Depreciation of property, plant and equipment – port		83	70
Depreciation of right-of-use assets – port		208	208
Royalties		14,339	4,236
Net ore inventory movement		(56,513)	(12,824)
Net movement in net realisable value on ore inventory		(3,048)	11,940
Consumables stock write down		620	-
Rehabilitation revised estimate adjustment		(81)	100
Cost of sales – Free on Board (FOB) basis		136,773	91,109
Shipping freight		-	9,812
Cost of sales – Cost and Freight (CFR) basis		136,773	100,921

Notes to the Half-Year Financial Report

4. Expenses (Continued)

		31 December 2022 $'000	31 December 2021 $'000
[b]	**Finance costs**		
	Finance charges on banking facilities	1,226	111
	Finance charges on lease liabilities	490	164
		1,716	275
	Non-cash interest accretion on rehabilitation provision	833	177
		2,549	452
[c]	**Net foreign exchange loss**		
	Net realised loss on foreign exchange transactions	1,019	-
	Net unrealised loss on foreign exchange balances	105	-
		1,124	-
[d]	**Net marked-to-market (gain)/loss**		
	Net marked-to-market (gain) on commodity derivatives	-	(16,747)
	Unrealised marked-to-market (gain) on foreign exchange derivatives	(230)	(698)
	Unrealised marked-to-market (gain)/loss on financial assets held for trading	(854)	472
		(1,084)	(16,973)
[e]	**Administration and other expenses include:**		
	Depreciation of property, plant and equipment	77	84
	Depreciation of right-of-use assets	246	246
	Share-based payments expense	266	158
	Insurance premiums	923	840
	Koolan seawall insurance claim expenses	-	570
	Write down to net realisable value on consumables inventories	-	899
	Exploration expenses	104	492
[f]	**Cost of sales & Administration and other expenses include:**		
	Salaries, wages expense and other employee benefits	30,095	30,007
	Lease expense – short-term	2,990	2,958
	Lease expense – low value assets	551	132
	Lease expense – variable	2,178	1,172

Notes to the Half-Year Financial Report

5. Taxation

Reconciliation of tax benefit

A reconciliation of tax (benefit)/expense applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax (benefit)/expense at the Group's effective tax rate for the period ended 31 December 2022 and 2021 is as follows:

	31 December 2022 $'000	31 December 2021 $'000
Accounting profit/(loss) before tax	10,834	(93,474)
• At the statutory income tax rate of 30% (2020: 30%)	3,250	(28,042)
• Expenditure not allowed for income tax purposes	226	167
• Other	(3)	-
Tax (benefit)/expense	3,473	(27,875)
Effective tax rate	32.1%	29.8%
Tax (benefit)/expense reported in Income Statement	**3,473**	**(27,875)**

As at 31 December 2022, the Group has carried forward gross tax losses of $365,193,000 (31 December 2021: $344,255,000) with a tax-effected value (at 30%) of $109,558,000 (31 December 2021: $103,277,000).

The Company has a franking account balance of $nil as at 31 December 2022 (31 December 2021: $8,767,000 deficit).

Notes to the Half-Year Financial Report

6. Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:

	31 December 2022 $'000	30 June 2022 $'000
Cash at bank and on hand	35,603	77,579
	35,603	**77,579**

7. Term Deposits and Subordinated Notes

	Notes	31 December 2022 $'000	30 June 2022 $'000
Current			
Term deposits – financial assets at amortised cost	[i]	250	7,500
Subordinated notes – financial assets at fair value through OCI	[ii]	-	16,407
		250	**23,907**

[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-1 or better (S&P). 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 low. Accordingly, no impairment allowance has been recognised for expected credit losses on the term deposits.

[ii] Subordinated notes comprised tradeable floating interest rate instruments with maturities of up to ten years. These instruments were held in order to supplement the Group's treasury returns, and the Group was able to realise these instruments as and when the Group's cash needs required. Subordinated notes were held with various financial institutions with short-term and long-term credit ratings of BBB or better (S&P). The Group assessed the credit risk on these financial assets and determined that the credit risk exposure had not increased significantly since initial recognition.

8. Financial Assets Held for Trading

	31 December 2022 $'000	30 June 2022 $'000
Current		
Tradeable corporate bonds at fair value through profit or loss	156	18,609
Quoted share investments at fair value through profit or loss	5,118	5,478
	5,274	**24,087**

Financial assets held for trading comprise corporate bonds and/or 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.

Notes to the Half-Year Financial Report

	Notes	31 December 2022 $'000	30 June 2022 $'000
9. Trade and Other Receivables			
Trade debtors – at amortised cost		8,811	1,807
Expected credit loss		(42)	(42)
		8,769	1,765
Trade debtors – at fair value through profit or loss		22,823	-
Sundry receivables		5,051	3,141
Tax receivable		8,767	8,767
Other receivables		5,192	1,947
		50,602	**15,620**
10. Inventories			
Consumables – at cost		26,877	24,943
Write down to net realisable value (**NRV**)		(5,648)	(5,544)
		21,229	19,399
Ore – at cost		84,808	28,295
Write down to NRV		(13,187)	(16,235)
At lower of cost and NRV		71,621	12,060
Total inventories		**92,850**	**31,459**
11. Property, Plant and Equipment			
Property, plant and equipment – at cost		510,382	522,947
Accumulated depreciation and impairment		(451,177)	(465,981)
		59,205	**56,966**
[a] Reconciliation			
Carrying amount at the beginning of the period		56,966	63,464
Additions		8,388	33,516
Disposals		(282)	(1,395)
Depreciation expense		(5,867)	(17,707)
Impairment expense	13	-	(20,912)
		59,205	**56,966**

Notes to the Half-Year Financial Report

	31 December 2022 $'000	30 June 2022 $'000
12. Mine Properties		
Mine development expenditure	1,849,207	1,819,368
Accumulated amortisation and impairment	(1,493,596)	(1,446,975)
Total mine properties	**355,611**	**372,393**

[a] Reconciliation

	Koolan Island		Mid-West		Total	
	31-Dec-22 $'000	30-Jun-22 $'000	31-Dec-22 $'000	30-Jun-22 $'000	31-Dec-22 $'000	30-Jun-22 $'000
Deferred waste						
Carrying amount at the beginning of the period	239,200	224,225	-	10,321	239,200	234,546
Deferred waste capitalised	11,020	123,320	-	8,455	11,020	131,775
Amortisation expensed	(29,440)	(25,998)	-	(1,801)	(29,440)	(27,799)
Impairment expense	-	(82,347)	-	(16,975)	-	(99,322)
Carrying amount at the end of the period	**220,780**	**239,200**	**-**	**-**	**220,780**	**239,200**
Other mine properties						
Carrying amount at the beginning of the period	133,193	151,332	-	18,105	133,193	169,437
Additions	18,329	44,134	-	2,116	18,329	46,250
Mine rehabilitation – revised estimate	490	(1,163)	-	-	490	(1,163)
Amortisation expensed	(17,181)	(15,257)	-	(2,230)	(17,181)	(17,487)
Impairment expense	-	(45,853)	-	(17,991)	-	(63,844)
Carrying amount at the end of the period	**134,831**	**133,193**	**-**	**-**	**134,831**	**133,193**
Total mine properties	**355,611**	**372,393**	**-**	**-**	**355,611**	**372,393**

Notes to the Half-Year Financial Report

13. 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 Group utilises the approaches under applicable accounting pronouncements for assessment of any impairment expenses or reversals.

During the half-year ended 31 December 2022 an event occurred at Koolan Island, the impact of which may be considered an indicator of impairment relating to the Company's operations. In August 2022, a fire occurred in the product sizing screen area of the processing plant which has had an adverse impact on costs and delayed the processing of ore in the short term, although the Group's annual guidance relating to ore sales and unit costs remains unchanged at the current time.

As a consequence, the Group assessed the recoverable amount of the Koolan Island CGU as at 31 December 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 for the CGUs:

- Cashflow forecasts were made based on historical performance, budgets and anticipated revenues and estimated operating and capital costs over the life of the mine;
- Discount rate of 11.25% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR prices (northern China), expressed in real terms, of US$109/dmt in 2023 (falling over the following five years to US$74/dmt in 2028), at an exchange rate of A$1.00/US$0.67 in 2023 (rising to US$0.717 in 2024 and US$0.745 in 2025 and thereafter) with sensitivities undertaken for a broad range of these inputs; and
- Revenue and cost inflation estimates of 2.0% per year.

The Group's assessment of the Koolan Island asset has concluded that no impairment or reversal of previous impairment expenses is required in relation to the Koolan Island CGU as at 31 December 2022. Accordingly, no impairment expenses or reversals thereof have been recognised during the period (31 December 2021: nil) for the Koolan Island CGU.

The Group acknowledges that the 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 31 December 2022 as follows:

Key Assumption	Change in CGU Recoverable Amount	
	10% Increase $'000	10% Decrease $'000
Benchmark price of 62% Fe CFR fines iron ore	113,400	(133,200)
A$/US$ exchange rate	(99,400)	103,800
Mining unit cost per wmt mined	(44,600)	36,700

In relation to the Mid-West CGU, further to the Group's assessment of the Shine asset as at 30 June 2022 using the FVLCD approach (level 3 in the fair value hierarchy), it has been concluded that an additional impairment expense of $867,000 (31 December 2021: $nil) in relation to right-of-use assets is required as at 31 December 2022. Accordingly, this has been recognised in the income statement for the Shine CGU.

Notes to the Half-Year Financial Report

14. Interest-Bearing Loans and Borrowings

	Notes	31 December 2022 $'000	30 June 2022 $'000
Current			
Lease liabilities		11,640	6,315
Insurance premium funding facility	[i]	8,200	1,837
		19,840	**8,152**
Non-Current			
Lease liabilities		17,005	3,723
Corporate loan facility	[ii]	25,000	-
		42,005	**3,723**

The following off balance sheet financing facility had been negotiated and was available at the reporting date:

	Notes	31 December 2022 $'000	30 June 2022 $'000
Performance bonding facility	[ii]		
Used at reporting date		7,495	7,495
Unused at reporting date		12,505	12,505
Total facility		**20,000**	**20,000**
Corporate loan facility	[ii]		
Used at reporting date		25,000	-
Unused at reporting date		75,000	100,000
Total facility		**100,000**	**100,000**

Terms and conditions relating to the above financial facilities:

[i] **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 over the term of the arrangement. Interest is charged at 5.32% pa. The facility is repayable monthly over 10 months with the final instalment due in July 2023.

[ii] **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. On 22 December 2022, the loan facility was amended to extend the maturity date to 31 May 2024 in relation to the amount of $50,000,000. As at balance date, $25,000,000 of the loan facility was drawn.

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 Half-Year Financial Report

	Notes	31 December 2022 $'000	30 June 2022 $'000

15. Issued Capital

[a] Ordinary shares

	Notes	31 December 2022 $'000	30 June 2022 $'000
Issued and fully paid	[b]	**632,425**	**632,425**

	Notes	31 December 2022 Number of Shares	31 December 2022 $'000	30 June 2022 Number of Shares	30 June 2022 $'000
[b] Movement in ordinary shares on issue					
Unrestricted shares					
Balance at the beginning of the period		1,202,329,505	632,425	1,179,741,750	620,948
Shares issued under Dividend Reinvestment Plan		-	-	22,587,755	11,477
		1,202,329,505	632,425	1,202,329,505	632,425
Restricted shares – Loan Share Plan (LSP)	[e]				
Balance at the beginning of the period		8,238,528	-	6,175,428	-
Shares issued under LSP		3,851,300	-	2,063,100	-
		12,089,828	-	8,238,528	-
Balance at end of the period		1,214,419,333	632,425	1,210,568,033	632,425

[c] Share options

During the 6 months ended 31 December 2022, no options were issued.

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

[d] Performance rights

During the 6 months ended 31 December 2022, no performance rights were issued.

As at 31 December 2022, there were no performance rights on issue (30 June 2022: nil).

[e] Loan Share Plan

On 1 September 2022, the Company issued 3,851,300 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a share price of $0.436 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 September 2023 and 1 September 2027 and the participants remain continuously employed by the Group until at least 1 September 2024. The award was accounted for as an in-substance option award and the fair value at grant date assessed at $0.169 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 $0.43, 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 3.26% based on Australian Government bond yields with three year lives, the estimated volatility was 50% based on historical share price analysis, and the dividend yield was assumed as nil.

Notes to the Half-Year Financial Report

	Notes	31 December 2022 $'000	30 June 2022 $'000

16. Dividends Paid and Proposed

Declared and paid during the year:

[a] Dividends on ordinary shares:

During the half-year ended 31 December 2022, no dividends were declared or paid in respect of the 2021/22 financial year.

[b] Franked dividends:

The are no franking credits available as at 31 December 2022 (30 June 2022: nil).

17. Operating Segments

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 Shine mine site, the Extension Hill mine site and the storage shed 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.

Notes to the Half-Year Financial Report

17. Operating Segments (Continued)

Half-Year Ended:	Mid-West 31 December 2022 $'000	Mid-West 31 December 2021 $'000	Koolan Island 31 December 2022 $'000	Koolan Island 31 December 2021 $'000	Unallocated* 31 December 2022 $'000	Unallocated* 31 December 2021 $'000	Consolidated 31 December 2022 $'000	Consolidated 31 December 2021 $'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives	-	18,417	152,028	(890)	-	-	152,028	17,527**
Interest revenue	-	-	-	-	717	1,450	717	1,450
Segment revenue, net of shipping freight	**-**	**18,417**	**152,028**	**(890)**	**717**	**1,450**	**152,745**	**18,977**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	2,821	(10,867)	74,234	(15,097)	(7,516)	12,472	69,539	(13,492)
Write back/(write down) of inventories to net realisable value (i)	(164)	(4,723)	2,592	(8,116)	-	-	2,428	(12,839)
Impairment expense (ii)	(867)	(36,678)	-	-	-	-	(867)	(36,678)
Earnings/(loss) before interest, tax, depreciation and amortisation	1,790	(52,268)	76,826	(23,213)	(7,516)	12,472	71,100	(63,009)
Depreciation and amortisation	(371)	(6,738)	(57,023)	(22,945)	(323)	(330)	(57,717)	(30,013)
Segment result	**1,419**	**(59,006)**	**19,803**	**(46,158)**	**(7,839)**	**12,142**	**13,383**	**(93,022)**
Finance costs							(2,549)	(452)
Profit/(loss) before tax							**10,834**	**(93,474)**
(i) Write down of inventories to net realisable value:								
Write down of consumables inventories	164	686	456	213	-	-	620	899
Write down of ore inventories	-	4,037	(3,048)	7,903	-	-	(3,048)	11,940
	164	4,723	(2,592)	8,116	-	-	(2,428)	12,839
(ii) Impairment expenses:								
Impairment of property, plant and equipment	-	1,712	-	-	-	-	-	1,712
Impairment of right-of-use assets	867	-	-	-	-	-	867	-
Impairment of mine properties	-	34,966	-	-	-	-	-	34,966
	867	36,678	-	-	-	-	867	36,678

* 'Unallocated' includes interest revenue of $717,000 (2021: $1,450,000), net realised loss on foreign exchange transactions of $1,019,000 (2021: $613,000 gain), net unrealised loss on foreign exchange balances of $105,000 (2021: $715,000 gain), unrealised marked-to-market gain on commodity derivatives of $nil (2021: $16,747,000 gain), unrealised marked-to-market gain on financial assets held for trading of $854,000 (2021: $472,000 loss) and corporate expenses such as head office salaries and wages.

** To reconcile segment revenue to statutory revenue, shipping freight of $nil (2021: $9,812,000) needs to be added.

Notes to the Half-Year Financial Report

17. Operating Segments (Continued)

	Mid-West		Koolan Island		Unallocated*		Consolidated	
As at:	31 December 2022 $'000	30 June 2022 $'000	31 December 2022 $'000	30 June 2022 $'000	31 December 2022 $'000	30 June 2022 $'000	31 December 2022 $'000	30 June 2022 $'000
Segment assets								
Current financial assets	4,451	5,034	51,609	53,833	35,699	82,335	91,759	141,202
Other current assets	1,202	1,022	100,653	33,891	4,398	2,235	106,253	37,148
Property, plant and equipment	611	930	58,378	55,774	216	262	59,205	56,966
Right-of-use assets	-	1,076	28,905	7,000	1,231	1,476	30,136	9,552
Mine properties	-	-	355,611	372,393	-	-	355,611	372,393
Other non-current assets	-	-	386	606	669	-	1,055	606
Deferred tax assets	-	-	-	-	68,905	72,407	68,905	72,407
Total assets	**6,264**	**8,062**	**595,542**	**523,497**	**111,118**	**158,715**	**712,924**	**690,274**
Segment liabilities								
Financial liabilities	3,065	4,311	72,926	88,814	37,365	6,459	113,356	99,584
Other liabilities	9,817	9,889	46,512	45,336	2,444	2,361	58,773	57,586
Total liabilities	**12,882**	**14,200**	**119,438**	**134,150**	**39,809**	**8,820**	**172,129**	**157,170**
Net assets/(liabilities)	**(6,618)**	**(6,138)**	**476,104**	**389,347**	**71,309**	**149,895**	**540,795**	**533,104**

* 'Unallocated' current financial assets include cash and cash equivalents of 21,242,000 (30 June 2022: $25,358,000), term deposits of $nil (30 June 2022: $7,500,000), subordinated notes of $nil (30 June 2022: $16,407,000), financial assets held for trading of $5,274,000 (30 June 2022: $24,087,000), trade debtors and other receivables of $9,153,000 (30 June 2022: $8,974,000) and derivatives of $30,000 (30 June 2022: $9,000).
'Unallocated' financial liabilities include trade and other payables of $2,865,000 (30 June 2022: $2,873,000), interest-bearing loans and borrowings of $34,500,000 (30 June 2022: $3,377,000) and derivatives of $nil (30 June 2022: $209,000).

Notes to the Half-Year Financial Report

18. Financial Instruments

[a] Foreign currency risk

The Group is exposed to the risk of adverse movements in the A$ compared to the US$ as its iron ore sales receipts are predominantly denominated in US$. The Group uses derivative financial instruments to manage specifically identified foreign currency exposures by hedging a proportion of forecast US$ sales transactions in accordance with its Financial Risk Management Policy. The primary objective of using derivative financial instruments is to reduce the volatility of earnings and cash flows attributable to adverse changes in the A$/US$ exchange 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.

During the half-year ended 31 December 2022, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2022, the notional amount of the foreign exchange hedge book totalling US$9,000,000 is made up exclusively of collar option contracts over the period January to March 2023 with an average cap price of A$1.00/US$0.7000 and an average floor price of A$1.00/US$0.6476.

As at 31 December 2022, the marked-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US$9,000,000 was $30,000.

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.

[b] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sales of iron ore to its customers are based on market rates. The majority of the Group's sales revenue is derived under long term sales contracts for each of its operations. The pricing mechanism in these contracts reflects a market based index. The pricing mechanism adopts the Platts Iron Ore Index Price which is published daily for iron ore "fines" with Fe content ranging from 58% to 65% Fe and is quoted on a US$ per dry metric tonne "Cost and Freight" North China basis.

The Group enters into provisionally priced ore sales contracts, for which price finalisation is referenced to relevant market indices at specified future dates. The Group is exposed to movements in benchmark iron ore prices and movements in benchmark lump premium prices on lump product cargoes (if any), between the date of shipping and invoice finalisation date.

[c] 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 input that is significant to the fair value measurement is directly or indirectly observable); and

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 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).

Notes to the Half-Year Financial Report

The fair values of trade receivables classified as financial assets at fair value through profit and 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 31 December 2022 are shown below.

	31 December 2022 Carrying Amount $'000	31 December 2022 Fair Value $'000	30 June 2022 Carrying Amount $'000	30 June 2022 Fair Value $'000
Financial assets				
Cash	35,603	35,603	77,579	77,579
Term deposits	250	250	7,500	7,500
Subordinated notes	-	-	16,407	16,407
Financial assets held for trading	5,274	5,274	24,087	24,087
Trade debtors and other receivables	50,602	50,602	15,620	15,620
Derivatives	30	30	9	9
	91,759	91,759	141,202	141,202
Financial liabilities				
Trade and other payables	51,511	51,511	87,500	87,500
Interest-bearing loans and borrowings	61,845	61,845	11,875	11,875
Derivatives	-	-	209	209
	113,356	113,356	99,584	99,584
Net financial assets/(liabilities)	**(30,364)**	**(30,364)**	**32,851**	**32,851**

19. Events After Balance Sheet Date

As at the date of this report there are no significant events after balance date of the Group that require adjustment of or disclosure in this report.

20. Commitments

At 31 December 2022, the Group has commitments of:

- $12,383,000 (31 December 2021: $13,333,000) relating primarily to contractual commitments in respect of mining and transport that are not liabilities at the balance date;
- $13,135,000 (31 December 2021: $24,908,000) relating to capital commitments for the purchase of property, plant and equipment at Koolan Island; and
- $463,000 (31 December 2021: $123,000) relating to short-term leases for the provision of plant and equipment.

Notes to the Half-Year Financial Report

21. Related Party Disclosures

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 37.4% beneficial shareholding in Mount Gibson Iron Limited.

During the period, sale agreements that were in place with director-related entities include the sale of 20% of iron ore from Koolan Island's available mined production over the life of mine to APAC.

Pursuant to these sales agreements, during the half-year, the Group sold 221,629 wmt (2021: 79,100 wmt) of iron ore to APAC.

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

	31 December 2022 $'000	30 June 2022 $'000
Assets and Liabilities		
Current Assets		
Receivables - APAC	2,761	-
Total Assets	**2,761**	**-**
Current Liabilities		
Payables – APAC	39	7,133
Total Liabilities	**39**	**7,133**

	31 December 2022 $'000	31 December 2021 $'000
Sales Revenue		
Sales revenue – APAC*	30,290	(642)
Total Sales Revenue (before shipping freight)	**30,290**	**(642)**

* Sales revenue received during the period included quotation period price reduction adjustments relating to the prior period of $77,000 (2021: $1,996,000 price increase adjustment).

22. Contingent Liabilities

1. The Group has a performance bonding facility drawn to a total of $7,495,000 (30 June 2022: $7,495,000). The performance bonds secure the Group's obligations relating to environmental matters and infrastructure.
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.

Directors' Declaration

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

In the opinion of the Directors:

a. the financial statements and the notes of the Group for the half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2022 and the performance of the Group for the half-year ended on that date; and

   ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the Directors.

Lee Seng Hui
Chairman

21 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of Mount Gibson Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2022, the interim consolidated statement of profit or loss, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

J K Newton

J K Newton
Partner
21 February 2023