APPENDIX 4E

MOUNT GIBSON IRON LIMITED
30 JUNE 2019 ANNUAL FINANCIAL STATEMENTS

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

20 August 2019

Current Reporting Period:	Year ended 30 June 2019
Previous Corresponding Period:	Year ended 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Up 9% to	$289.5
Profit from continuing operations before tax	Down 29% to	$70.3
Net profit after tax attributable to members of the Company	Up 35% to	$133.4

DIVIDENDS

Mount Gibson Iron Limited has declared a final dividend on ordinary shares in respect of the 2018/19 financial year of $0.04 per share fully franked. The Dividend Reinvestment Plan (DRP) will apply to this dividend. Shares will be allocated under the DRP at a 5% discount to the VWAP of Mount Gibson shares for the 5 days prior to the record date.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	30 June 2019	30 June 2018
Net tangible assets	*A$ mill*	$612.8	$496.8
Fully paid ordinary shares on issue at Balance Date	*#*	1,128,369,730	1,096,562,516
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	54.3 cents	45.3 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 2019 together with any public announcements made by Mount Gibson Iron Limited during and after the year ended 30 June 2019 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 2019

Financial Report

For the year ended 30 June 2019

Directors' Report

Your Directors submit their report for the year ended 30 June 2019 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 and Allied Properties (H.K.) Limited both of which are 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.

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.

Li Shaofeng B.Automation
Non-Executive Director

Mr Li was appointed as a Non-Executive Director on 23 February 2012. Mr Li has extensive experience in enterprise management and investments. He holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Managing Director of Shougang Concord International Enterprises Co. Ltd in May 2010 and was re-designated as the Vice Chairman of the Board from 6 January 2018. Mr. Li is the managing director of Shougang Fushan Resources Group Limited ("Shougang Resources"), a substantial shareholder of Mount Gibson, and an executive director of BeijingWest Industries International Limited. Mr. Li was the chairman of Shougang Resources from October 2011 to January 2018, the chairman of Shougang Concord Century Holdings Limited ("Shougang Century") from March 2000 to January 2018, the chairman of each of Shougang Concord Grand (Group) Limited ("Shougang Grand") and Global Digital Creations Holdings Limited ("GDC") from May 2010 to June 2017, all of which are companies listed on the Hong Kong Stock Exchange.

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 Red Metal Ltd and a director of Lithium Power International.

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 Management Committee. Mr Bird has over 30 years of international corporate experience, including holding the positions of 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 a former Director of CPA Australia Limited. Mr Bird is currently a director of ASX-listed company Pacific American Holdings Limited.

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.

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. Mr Ferguson is a former Non-Executive Director of Metals X Limited and ABM Resources NL, both of which are listed on the Australian Securities Exchange.

COMPANY SECRETARY

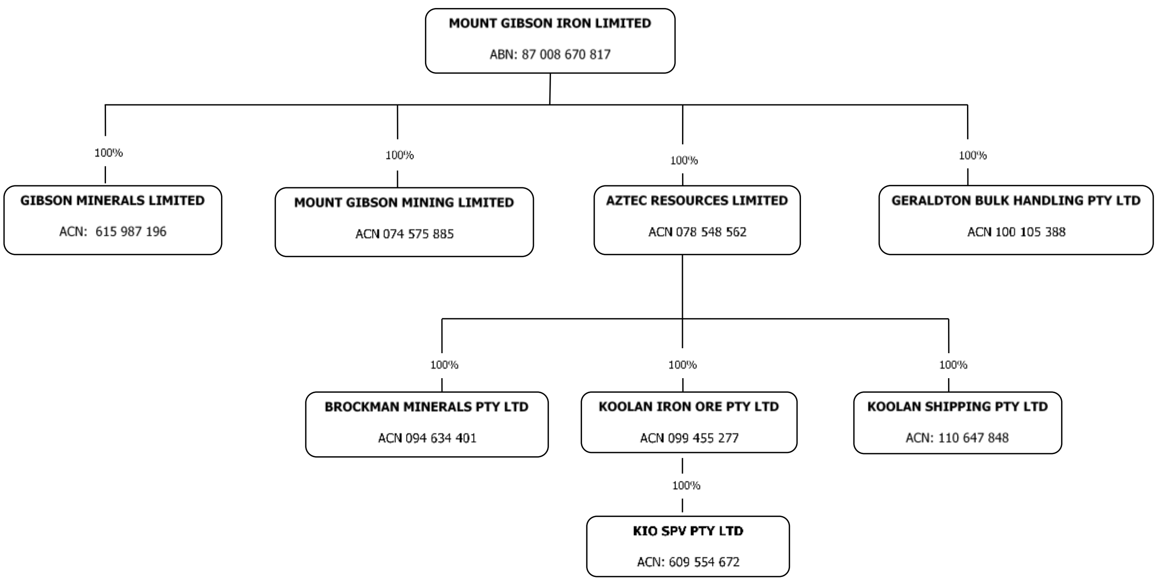
David Stokes B.Bus, LLB, ACIS
Company Secretary & General Counsel

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 2019 was as follows:



Nature of Operations and Principal Activities

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

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

Employees

The Group employed 297 employees (excluding contractors) as at 30 June 2019 (2018: 163 employees).

OPERATING AND FINANCIAL REVIEW

Introduction

The Board presents the 2018/19 Operating and Financial Review which has been prepared to provide shareholders with a clear and concise overview of Mount Gibson's operations, financial position, business strategies and prospects. This review also provides a summary of the impact of key events which occurred in 2018/19 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 2019 and has been prepared in accordance with Regulatory Guidance 247 published by the Australian Securities and Investments Commission (**ASIC**).

Overview of the 2018/19 Financial Year

The Group's financial performance for the year ended 30 June 2019 was strong in a year of significant operational transition as the Company's Mid-West operations wound down, and Koolan Island became the principal longer term source of production and revenue following the successful restart of ore sales from Main Pit in late April 2019. This transition encompassed steady production and sales in the final months of operations at the Iron Hill deposit at Extension Hill, investment of significant capital to complete restart and pre-production activities at Koolan Island, the commencement of sales of remnant low-grade material held in stockpiles at Extension Hill in June 2019, and continued management of the Group's treasury reserves. The Group recorded a net profit before tax from continuing operations of $70,285,000 and, following the recognition of deferred tax assets, a net profit after tax of $133,369,000.

The Company's performance was assisted by a substantial rise in iron ore prices over the year. At the beginning of the year, the Platts Index for delivery of 62% Fe iron ore fines to northern China was approximately US$64 per dry metric tonne (**dmt**) and traded within a band of US$62-78/dmt in the first half of the financial year. The price then rose dramatically over the first six months of 2019 following a tragic tailings dam collapse in Brazil in late January, which resulted in substantial production from Brazil being halted for an indefinite period. The Platts 62% Index price consequently averaged US$83/dmt in the March 2019 quarter and US$100/dmt in the June 2019 quarter, ending the year at US$118/dmt to average US$80/dmt over the full financial year.

This coincided with a significant narrowing of the discounts and premiums on ores grading below and above 62% Fe respectively. For ores grading 58%, the discount narrowed from over 40% in mid-2018 to approximately 5% in mid-2019, while the premium for higher grade ores grading 65% Fe reduced from over 30% to around 3% over the same period.

The Australian dollar also consistently traded lower than in the prior year, averaging A$1.00/US$0.715 for the financial year, compared with US$0.775 in the prior year. The dollar ended the year at US$0.701, after trading between a high of US$0.747 in July 2018 and a low of US$0.688 in May 2019.

Group ore sales for the year totalled 3.2 million wet metric tonnes (**Mwmt**). Sales revenue totalled $285,444,000 including shipping freight services and provisional pricing adjustments, and $239,823,000 on a Free on Board (**FOB**) basis (excluding shipping freight services), before $7,080,000 of realised foreign exchange hedging and commodity forward contract net losses reflecting significantly higher iron ore prices following the unanticipated Brazilian supply disruptions in early 2019.

Mount Gibson achieved an average realised price for all products sold in the year (before realised foreign exchange hedging and commodity forward contract net losses) of $76/wmt Free on Board (FOB), net of shipping freight, compared with $53/wmt FOB in 2017/18. This reflected higher average realised prices for Mid-West standard grade products, which comprised the bulk of sales volumes, as well as significantly higher realised prices for the initial Koolan Island sales. The average price for standard Mid-West iron ore fines product was US$37/dmt FOB after grade and provisional pricing adjustments and penalties for impurities, compared with an average of US$30/dmt FOB in 2017/18. The average price received for initial sales of high grade Koolan Island fines was US$106/dmt FOB. Remnant low grade material from Extension Hill was sold on a fixed price basis realising an average of US$29/dmt FOB for fines and US$36/dmt FOB for lump.

The total cost of sales for the year was $204,286,000 including royalties and shipping freight costs. On a FOB basis, excluding shipping freight, the total cost of sales was $158,665,000 which equated to $50/wmt sold, compared with $44/wmt sold in the prior financial year. This increase reflected higher royalty costs of approximately $2/wmt arising from higher realised prices, as well as the impacts of the wind-down of sales in the Mid-West operation and initial higher cost sales from the Koolan Island operation.

Total cash reserves, comprising cash and cash equivalents, term deposits and subordinated notes, and financial assets held for trading, reduced by $73,003,000 over the year to a total of $384,531,000 as at 30 June 2019. The cashflow movement was primarily attributable to expenditure on the rebuild of the Main Pit seawall and associated pre-production activities at Koolan Island, operating cashflows from the Mid-West business, and payment in October 2018 of the $18,347,000 cash component of the final dividend for 2017/18.

Operating Results for the Financial Year

The summarised operating results for the Group for the year ended 30 June 2019 are tabulated below:

	Year ended:	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Net profit/(loss) before tax*	*$'000*	**70,462**	**99,129**	**24,841**	**85,536**	**(1,008,505)**
Taxation benefit	*$'000*	62,907	-	1,481	761	97,083
Net profit/(loss) after tax	*$'000*	**133,369**	**99,129**	**26,322**	**86,297**	**(911,422)**
Earnings/(loss) per share	*cents/share*	11.98	9.08	2.41	7.91	(83.56)

* Inclusive of discontinued operations. Refer the attached financial statements for further details.

Consolidated quarterly operating and sales statistics for the 2018/19 financial year are tabulated below:

Consolidated Group	Unit	Sept Quarter 2018	Dec Quarter 2018	Mar Quarter 2019	Jun Quarter 2019	2018/19	2017/18
Mining & Crushing							
Total waste mined	*kwmt*	195	2,507	4,148	3,588	**10,438**	**1,659**
Total ore mined#	*kwmt*	1,081	810	8	544	**2,443**	**4,085**
Total ore crushed	*kwmt*	1,052	980	62	810	**2,904**	**3,507**
Shipping/Sales							
Standard DSO Lump	*kwmt*	607	475	254	-	**1,336**	**1,627**
Standard DSO Fines	*kwmt*	542	537	148	370	**1,597**	**1,576**
Low Grade Lump	*kwmt*	-	-	-	120	**120**	**419**
Low Grade Fines	*kwmt*	-	-	-	118	**118**	**-**
Total	*kwmt*	**1,149**	**1,012**	**402**	**607**	**3,170**	**3,622**
Ave. Platts 62% Fe CFR northern China price	*US$/dmt*	**67**	**72**	**83**	**100**	**80**	**69**
MGX Free on Board (FOB) average realised fines price – Mid-West^	*US$/dmt*	**28**	**41**	**44**	**29**	**37**	**30**
MGX Free on Board (FOB) average realised lump price – Mid-West^	*US$/dmt*	**56**	**70**	**58**	**36**	**61**	**59**
MGX Free on Board (FOB) average realised fines price – Koolan*	*US$/dmt*	**-**	**-**	**-**	**106**	**106**	**-**

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

\# Includes low-grade ore at Extension Hill grading 50-55% Fe that is considered to be saleable. This material was stockpiled for future sale and treated as waste for accounting purposes.

^ Reflects the realised price after shipping freight and specification adjustments and penalties. Mid-West sales in the June 2019 quarter comprised only shipments of low grade cargoes.

* Reflects the realised fines price for Koolan comprising a mix of month of shipping (M) and M+2 averages, referencing the Platts 65% Fe Index, and after adjustments for shipping freight, grade, provisional invoicing adjustments and penalties for impurities.

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. The primary focus of activity in the 2018/19 financial year was completion of all restart works and pre-production activities to recommence high grade ore production and sales from the Main Pit. Completion of the impermeable seepage barrier in the seawall embankment was achieved in July 2018, enabling pit dewatering to commence in August 2018, along with refurbishment of the Main Pit footwall and re-profiling of the Main Pit hanging wall.

Dewatering proceeded generally to plan, with the seawall coming under full tidal loads in November 2018. Blasting and waste mining in the upper levels of Main Pit also commenced at this time. All instrumentation and monitoring data continue to demonstrate the seawall is performing according to expectations. Mining access was gained to the first benches of high-grade ore in March 2019. The first shipment of high grade ore, averaging 65% Fe, was completed in late April 2019. Mining and ore production were progressively ramped up in the remaining two months of the financial year, and the site attained commercial production for reporting purposes at the end of May 2019. Five ore shipments totalling 370,000 wmt of high grade ore from Main Pit were completed during the June quarter. At year end, the site was on track to average 3-4 Panamax shipments per month, consistent with the initial period mine plan.

Total expenditure (cash and non-cash) on the Koolan restart project in the year comprised capitalised construction and pre-production costs of $38,799,000, capitalised waste mining costs of $65,615,000, the purchase of plant and equipment totalling $17,563,000 and the cost of sales of $34,572,000 FOB.

Production and shipping statistics for Koolan Island for the 2018/19 financial year are tabulated below:

Koolan Island **Production Summary**	**Unit**	**Sept Quarter 2018 '000**	**Dec Quarter 2018 '000**	**Mar Quarter 2019 '000**	**Jun Quarter 2019 '000**	**Year 2018/19 '000**	**Year 2017/18 '000**
Mining							
Waste mined	*wmt*	-	2,450	4,148	3,588	**10,185**	**-**
Standard Ore mined	*wmt*	-	-	8	544	**552**	**-**
Crushing							
Lump	*wmt*	-	-	1	133	**134**	**-**
Fines	*wmt*	-	-	4	292	**297**	**-**
		-	**-**	**5**	**425**	**431**	**-**
Shipping							
Lump	*wmt*	-	-	-	-	**-**	**-**
Fines	*wmt*	-	-	-	370	**370**	**-**
		-	**-**	**-**	**370**	**370**	**-**

Minor discrepancies may appear due to rounding.

Mid-West Operations - Extension Hill/Iron Hill

The Extension Hill mine and adjacent Iron Hill Deposit are located in the Mount Gibson Ranges, 85km east of Perenjori and 260km east south east of Geraldton in the Mid-West region of Western Australia. Mining was completed in the Extension Hill pit in late 2016, and commenced at the nearby Iron Hill deposit in early 2017.

Mining operations at Iron Hill were completed as planned in December 2018. The final shipment of high-grade direct-ship ore (**DSO**) was exported from Geraldton Port in late February 2019. Following renewed market interest in lower grade material, the Company commenced shipments of previously uneconomic stockpiled low-grade material from the Extension Hill mine site in June 2019. Four shipments totalling approximately 237,000 wmt were completed in the month of June. The program envisages total low grade shipments in the order of 1.0 Mwmt over a six month period, with the potential for any additional sales being dependent on future iron ore prices. The resulting cashflow from these sales is modest but assists in final site rehabilitation works.

Given the site rehabilitation activities completed to date, total site closure provisions have been revised down from $11,824,000 at 30 June 2018 to $9,853,000 at 30 June 2019.

The Mid-West Operations delivered a solid financial and operating performance in 2018/19. Ore shipments from Geraldton Port totalled 2,800,000 wmt, comprising 1,336,000 wmt of DSO lump, 1,227,000 wmt of DSO fines and 237,000 wmt of low grade material. The mine generated earnings before interest and tax of $60,801,000 reflecting the successful completion of mining in the Iron Hill open pit and the commencement of low grade sales.

Production and shipping statistics for Extension Hill for the 2018/19 financial year are tabulated below:

Extension Hill **Production Summary**	**Unit**	**Sept Quarter 2018 '000**	**Dec Quarter 2018 '000**	**Mar Quarter 2019 '000**	**Jun Quarter 2019 '000**	**Year 2018/19 '000**	**Year 2017/18 '000**	***% Incr/ (Decr)***
Mining								
Waste mined	*wmt*	195	57	-	-	**252**	**1,659**	*(85)*
Standard Ore mined	*wmt*	959	757	-	-	**1,716**	**3,484**	*(51)*
Low Grade Ore mined*	*wmt*	122	54	-	-	**176**	**601**	*(71)*
Total Ore Mined	*wmt*	**1,081**	**810**	**-**	**-**	**1,892**	**4,085**	*(54)*
Crushing								
Lump	*wmt*	542	535	32	248	**1,357**	**1,874**	*(28)*
Fines	*wmt*	510	445	24	137	**1,116**	**1,633**	*(32)*
		1,052	**980**	**57**	**385**	**2,474**	**3,507**	*(29)*
Transported to Perenjori Railhead								
Lump	*wmt*	531	504	73	156	**1,264**	**1,867**	*(32)*
Fines	*wmt*	504	463	70	174	**1,211**	**1,622**	*(25)*
		1,035	**967**	**143**	**330**	**2,475**	**3,489**	*(29)*
Transported to Geraldton Port								
Lump (Rail)	*wmt*	540	508	146	135	**1,329**	**2,058**	*(35)*
Fines (Rail)	*wmt*	509	516	106	155	**1,286**	**1,582**	*(19)*
		1,049	**1,024**	**252**	**290**	**2,615**	**3,640**	*(28)*
Shipping								
Lump	*wmt*	607	475	254	-	**1,336**	**1,627**	*(18)*
Fines	*wmt*	542	537	148	-	**1,227**	**1,576**	*(22)*
Low Grade Lump	*wmt*	-	-	-	120	**120**	**419**	*(71)*
Low Grade Fines	*wmt*	-	-	-	118	**118**	**-**	**-**
		1,149	**1,012**	**402**	**237**	**2,800**	**3,622**	*(23)*

* Low grade ore is material grading 50-55% Fe considered to be potentially saleable. This material was stockpiled for future sale and treated as waste for accounting purposes.

Minor discrepancies may appear due to rounding.

Financial Position

The Group's cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading totalled $384,531,000 at 30 June 2019, a decrease of $73,003,000 from the balance at 30 June 2018 of $457,534,000.

The key components of the decrease included operating cashflows of $59,384,000, interest received of $11,628,000, Koolan Island mine development expenditure of $109,184,000, purchase of property, plant and equipment of $18,540,000 and payment of the $18,347,000 cash component of a fully franked dividend to shareholders.

As at the balance date, the Company's current assets totalled $447,694,000 and its current liabilities totalled $73,143,000. 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 2019, the Group held foreign exchange collar option contracts covering the conversion of US$11,500,000 into Australian dollars over the period July to October 2019 with an average cap price of A$1.00/US$0.7255 and an average floor price of A$1.00/US$0.6722. These collar contracts had a marked-to-market unrealised net gain at balance date of $33,000.

As at 30 June 2019, the Group held forward iron ore sales contracts covering three shipments totalling 210,000 dmt of iron ore, with maturity dates over the period July to September 2019. The average price for 62% Fe fines (CFR) at each maturity date is between US$86 and US$90 per tonne. These forward sales contracts had a marked-to-market unrealised loss of $6,039,000 at balance date.

Extension Hill Rail Refund/Credit

Following achievement of a contractual rail volume threshold at Extension Hill in 2018, the Group became entitled to receive a partial cash refund of historical rail access charges from the Mid-West railway leaseholder based upon the future usage by certain third parties of specific segments of the Perenjori to Geraldton railway line. This refund 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 the first payment is anticipated to occur at the end of September 2019, and at six month intervals thereafter, with payments dependent on the volumes railed by third parties on the specified rail segments. As at 30 June 2019, a refund totalling $2,458,000 relating to the period February 2019 to June 2019 was accrued.

CEO Succession and Executive Management Appointments

In September 2018, Mount Gibson announced the appointment of Mr Peter Kerr as Chief Executive Officer, succeeding Mr Jim Beyer, who tendered his resignation after almost seven years in the role to pursue another opportunity in the resources industry.

Mr Kerr commenced in the role of CEO on 1 October 2018, having initially joined Mount Gibson as Chief Financial Officer in September 2012. Mr Kerr has over 20 years' experience in the resources sector, including past roles as CFO of ASX-listed uranium development company Bannerman Resources, managing director of ASX-listed gold developer Northern Gold NL and senior executive roles with Canadian miner Teck Cominco Ltd and Australian gold miner PacMin Mining Corporation Ltd.

Mount Gibson subsequently announced the promotion of Ms Gill Dobson to the positon of Chief Financial Officer, and Mr Scott de Kruijff as Chief Operating Officer. Ms Dobson is a highly experienced accountant and had been Group Commercial Manager at Mount Gibson since May 2013. Mr de Kruijff had been Mount Gibson's General Manager Operations since July 2015, and initially joined the Company as General Manager Koolan Island in September 2013. Both Ms Dobson and Mr de Kruijff have a detailed knowledge of Mount Gibson's operational and commercial activities, and sit on the Company's Executive Management Committee.

Koolan Island Offtake Agreement

In June 2019, Mount Gibson approved the novation of the interests of Shougang Concord International Enterprises Company Limited and SCIT Trading Limited as guarantor and buyer respectively under their existing Koolan Island offtake agreement to HKSE-listed entity Newton Resources Ltd and its subsidiary Ace Profit Investment Limited. The novation was approved by Newton shareholders at a meeting in Hong Kong subsequent to year end on 24 July 2019. More details regarding the novation agreement were provided in the Company's ASX release dated 3 June 2019.

Likely Developments and Expected Results

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

Key influences on the success of Mount Gibson are not only iron ore prices and foreign exchange rates but also operational performance, consistency in government policy, the continued attainment of regulatory approvals, the ability to delineate new mineral resources and ore reserves, and the continued control of operating and capital costs.

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 2019/20 financial year:

- **Extension Hill** - complete the current program of Extension Hill low-grade sales, and extend the program should favourable market prices continue. Thereafter, transition the site to final closure.
- **Koolan Island** - complete the ramp-up of ore production and sales in line with the mine plan to maximise cashflow and capitalise on favourable market conditions.
- **Cost reductions** - continue to drive for sustainable cost improvements across the existing business.
- **Treasury returns** - maintain an appropriate yield on the Group's cash and investment reserves.
- **Growth projects** - continue the search for acquisition opportunities in the resources sector.

Group Sales Guidance and Cash Costs Guidance

Mount Gibson expects total sales of 3.7-4.0 Mwmt of iron ore at an average all-in group cash cost of $70-75/wmt FOB for the 2019/20 financial year. Group cash costs are reported FOB and include all operating, capital, royalties and corporate costs.

Koolan Island is expected to contribute 2.7-3.0 Mwmt of high grade DSO ore based on the current schedule, with site cash costs expected to average $72-77/wmt FOB. Unit costs at Koolan Island are projected to progressively decline over the mine life in line with the mine schedule as the strip ratio reduces each year.

The Mid-West business is expected to contribute 1.0 Mwmt at an average cash cost of $40-45/wmt FOB, comprising the sale of remnant low grade material from stockpiles at Extension Hill.

DIVIDENDS

During the year, a final dividend of $0.03 per share fully franked ($32,987,000) in respect of the 2017/18 financial year was distributed by way of $18,347,000 in cash and the issue of 29,883,486 new shares under the Company's Dividend Reinvestment Plan.

On 20 August 2019, the Company declared a final dividend on ordinary shares in respect of the 2018/19 financial year of $0.04 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $45,203,000. The dividend has not been provided for in the 30 June 2019 financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than the final dividend declared by the Company on 20 August 2019 noted 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 certain 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 2 July 2018, the Company issued 2,998,351 restricted shares and subsequently, 1,074,623 restricted shares were forfeited upon the resignation of Mr Jim Beyer on 30 September 2018. There were 4,504,295 restricted shares on issue at balance date and, following an issue made after balance date, there are 6,210,095 restricted shares on issue as at the date of this report.

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
Lee Seng Hui[(i)]	-	-	-
A Jones	300,000	-	-
Li Shaofeng	-	-	-
R Barwick	-	-	-
S Bird	45,239	-	-
P Dougas	702,605	-	-
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 374,926,081 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 15 October 2018.

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	3	3
Lee Seng Hui	6	4	4	-	-
A Jones	6	4	4	1*	3
Li Shaofeng	6	-	-	-	-
R Barwick	6	-	4	3	2
S Bird	6	4	-	3	3
P Dougas	6	-	-	3	3
A Ferguson (Alt. for Mr Lee)	2*	-	-	-	-

* as invitee to the meeting

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 the 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, exploration activities, tenement conditions associated with exploration and mining, and the storage of hazardous substances. The Group reports against these licence conditions regularly.

In June 2019, the Company received a Notice of Non-Compliance from DWER relating to marine factors at Koolan Island during the Main Pit seawall development and dewatering phases. The Company has responded to DWER providing additional information and DWER has specified certain actions to resolve the notified matters which the Company is now implementing.

The Group continues to report under the National Greenhouse and Energy Reporting (NGER) Act 2009. Diesel combustion is the group's single largest source of greenhouse gas emissions.

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 17 which forms part of this Report.

AUDIT PARTNER ROTATION

On 13 November 2018, the Board granted approval pursuant to section 324DAC of the *Corporations Act 2001 (Cth)*, for Mr Gavin Buckingham of Ernst & Young to play a significant role in the audit of the Company for an additional two financial years through to the financial year ending 30 June 2021.

The Board considered the matters set out in section 324DAB(3) of the Act and is satisfied that the approval:

[i] is consistent with maintaining the quality of the audit provided to the Company; and

[ii] would not give rise to a conflict of interest situation.

Reasons supporting this decision include:

- the benefits associated with the continued retention of knowledge regarding key audit matters;
- the Board being satisfied with the quality of Ernst & Young and Mr Buckingham's work as auditor; and
- the Company's ongoing governance processes to ensure the independence of the auditor is maintained.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. There were no non-audit services provided by Ernst & Young during the financial year ended 30 June 2019.

REMUNERATION REPORT (AUDITED)

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.

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 of the Board of Directors of the Company is responsible for determining and reviewing 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 $513,125 were paid in the 2018/19 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; 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. No remuneration consultants were appointed for this purpose during the 2018/19 financial year.

Fixed Remuneration

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

- cash remuneration;
- superannuation;
- 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 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.

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. STI payments are based on the Board's assessment of the executive's performance towards achieving key Company objectives over the relevant period. Whilst no specific performance hurdles are set, the primary focus for the 2018/19 financial year was on achieving key milestones towards restart of the Koolan Island operation. The total potential STI available for award is ultimately at the Board's discretion.

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. Payments are made in cash after the reporting date.

The Board exercised its discretion to make an award for the 2018/19 financial year based on the achievement of a number of milestones including the commencement of mining operations at Koolan Island and the commencement of shipments of the low grade material from the Extension Hill mine site.

Accordingly, for the 2018/19 financial year, a total STI cash incentive of $712,300 was awarded to Key Management Personnel, representing 80% of the total STI cash incentives available to Mr Kerr, Mr de Kruijff, Mr Stokes and Ms Dobson. The amount of the STI is included in the Company's financials for the year and was paid after year-end.

In addition to the 2018/19 STI award, during the year, a total STI cash incentive of $397,639 in relation to the 2017/18 financial year was awarded to Key Management Personnel, representing 65% of the total STI cash incentives available to Messrs Kerr, de Kruijff and Stokes. The 2017/18 STI award was deferred from the prior year to take into account the activities associated with the completion of the Koolan Island Main Pit seawall and return of the site to operational status, and was paid in December 2018.

Long-term Incentives (LTI)

The Company previously established a Performance Rights Plan (**PRP**) in the 2008 financial year. Under the PRP, the Board may invite eligible executives to apply for Performance Rights, which are an entitlement to receive ordinary shares in the Company, subject to satisfaction by the executive of specified performance hurdles set by the Board. The last grant of performance rights under the PRP was made in the 2015/16 financial year. There were no performance rights on issue at the start of the 2018/19 financial year, and no grants of new performance rights under the PRP were made during the year.

A new 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. 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 2 July 2018, the Company issued a total of 2,998,351 shares to Messrs Beyer, Kerr, Stokes and de Kruijff under the LSP, representing 75% of their entitlement for LTI awards equating to one third of their base salaries (including superannuation). In accordance with the terms of the LSP, the shares were issued at a market price of $0.443 per share. In order for the shares to vest, the participants must remain continuously employed by the Group to at least the end of the 2018/19 financial year and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX, must on 1 July 2019 or at any time during the following four year period be above a 10% premium to the issue price of the shares. The award was accounted for as an in-substance option award, with the fair value at grant date assessed at $0.159 per share. These performance conditions were selected in order to maximise shareholder returns.

On 30 September 2018, 1,074,623 shares under the LSP were forfeited upon the resignation of Mr Jim Beyer. A total of 1,923,728 shares vested after balance date in July 2019 as the participants had remained continuously employed by the Group since issue and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX on 2 July 2019, was above a 10% premium to the issue price of the shares.

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

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.

Scott de Kruijff

The key terms of his contract include:

- Commenced as General Manager Koolan Island on 17 September 2013, appointed General Manager Operations on 1 July 2015 and subsequently appointed as Chief Operating 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 Mr de Kruijff 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 6 months Annual Salary Package plus any other accrued entitlements and bonuses. If Mr de Kruifff wishes to terminate the contract, he must provide three 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 6 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.

Details of directors and key management personnel disclosed in this report

[i] Directors

Lee Seng Hui	Chairman
A Jones	Non-Executive Director
Li Shaofeng	Non-Executive Director
R Barwick	Non-Executive Director
S Bird	Lead Non-Executive Director
P Dougas	Non-Executive Director
A Ferguson	Alternate Director to Mr Lee

[ii] Key Management Personnel

P Kerr	Chief Executive Officer (from 1 October 2018), previously Chief Financial Officer (until 30 September 2018)
D Stokes	Company Secretary and General Counsel
S de Kruijff	Chief Operating Officer (from 1 October 2018), previously General Manager – Operations (until 30 September 2018)
G Dobson	Chief Financial Officer (from 1 October 2018), previously Group Commercial Manager (until 30 September 2018)
J Beyer	Chief Executive Officer (resigned 30 September 2018)

Remuneration of Key Management Personnel for the year ended 30 June 2019

30 June 2019	Short Term				Post Employment	Long Term	Share Based Payment		
	Salary & Fees $	Non Monetary (a) $	Cash Incentives $	Accrued Annual Leave(c) $	Super-annuation $	Long Service Leave(d) $	Loan Share Plan(e) $	Total $	% Perform-ance Related
Directors									
Lee Seng Hui	95,548	-	-	-	9,077	-	-	**104,625**	-
A Jones	94,521	-	-	-	8,979	-	-	**103,500**	-
Li Shaofeng	-	-	-	-	-	-	-	**-**	-
R Barwick	94,521	-	-	-	8,979	-	-	**103,500**	-
S Bird	101,370	-	-	-	9,630	-	-	**111,000**	-
P Dougas	90,500	-	-	-	-	-	-	**90,500**	-
A Ferguson (Alt)	-	-	-	-	-	-	-	**-**	-
Sub-total	**476,460**	**-**	**-**	**-**	**36,665**	**-**	**-**	**513,125**	
Other KMP									
P Kerr	541,793	15,624	390,090(b)	12,657	25,000	50,953	114,760	**1,150,877**	44
D Stokes	326,337	13,351	257,999(b)	-	31,002	27,700	88,537	**744,926**	47
S de Kruijff	408,958	14,568	317,350(b)	-	38,851	15,727	102,576	**898,030**	47
G Dobson	306,574	11,109	144,500	9,493	29,125	14,500	-	**515,301**	28
J Beyer(f)	417,688	17,650	-	-	39,680	-	-	**475,018**	-
Sub-total	**2,001,350**	**72,302**	**1,109,939**	**22,150**	**163,658**	**108,880**	**305,873**	**3,784,152**	
Totals	**2,477,810**	**72,302**	**1,109,939**	**22,150**	**200,323**	**108,880**	**305,873**	**4,297,277**	

(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 2018/19 year of $712,300 and also include the deferred short term incentive award from the prior 2017/18 financial year of $397,639 (P Kerr $149,190, D Stokes $115,099, S de Kruijff $133,350). 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), which are inclusive of an assumed dividend yield, 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.

(f) Mr Jim Beyer resigned effective 30 September 2018.

Options

There were no options granted to Directors or Executives during the year ended 30 June 2019 and there were no options outstanding as at 30 June 2019. There were no shares issued on the exercise of options during the year ended 30 June 2019 (2018: nil).

Shares

On 2 July 2018, a total of 2,998,351 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 $0.159 per LSP share. On 30 September 2018, 1,074,623 shares under the LSP were forfeited upon the resignation of Mr Jim Beyer. 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 ($)	Vesting Date & Condit-ions	Expiry Date	LSP Shares Vested in Year (#)	Value of LSP Shares Vested in Year[3] ($)
J Beyer	2-Jul-18	1,074,623	$0.159	-[4]	-[4]	Note 2	1-Jul-24	-	-
P Kerr	2-Jul-18	721,762	$0.159	$114,760	$0.443	Note 2	1-Jul-24	-	-
D Stokes	2-Jul-18	556,835	$0.159	$88,537	$0.443	Note 2	1-Jul-24	-	-
S de Kruijff	2-Jul-18	645,131	$0.159	$102,576	$0.443	Note 2	1-Jul-24	-	-
Total		**2,998,351**		**$305,873**				**-**	**-**

1. Determined at the time of grant per AASB 2, refer note 25(d) in the financial statements.
2. In order for the LSP shares to vest, participants must remain continuously employed by the Group to at least the end of the financial year 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 2019 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.
4. LSP shares forfeited upon the resignation of Mr Jim Beyer on 30 September 2018.

During the year ended 30 June 2019, 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 2019. At 30 June 2019, there were no Performance Rights on issue. There were no shares issued on the exercise of Performance Rights during the year ended 30 June 2019 (2018: nil).

Shareholdings of Key Management Personnel as at 30 June 2019

	Balance 1 July 2018 Ord	Granted as Remuneration Ord	Forfeited Ord	Net Change Other Ord	Balance 30 June 2019 Ord
Directors					
Lee Seng Hui[(i)]	-	-	-	-	-
A Jones	300,000	-	-	-	300,000
Li Shaofeng	-	-	-	-	-
R Barwick	-	-	-	-	-
S Bird	20,000	-	-	25,239	45,239
P Dougas	284,944	-	-	417,661	702,605
A Ferguson (Alt. for Mr Lee)	-	-	-	-	-
Other KMP[(ii)]					
P Kerr	1,739,681	721,762	-	-	2,461,443
D Stokes	1,347,336	556,835	-	-	1,904,171
S de Kruijff	-	645,131	-	-	645,131
G Dobson	-	-	-	-	-
J Beyer	2,911,068	1,074,623	(1,074,623)	(2,571,151)	339,917
Total	**6,603,029**	**2,998,351**	**(1,074,623)**	**(2,128,251)**	**6,398,506**

(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 374,926,081 ordinary shares in the Company through his association with Allied Group Limited, a substantial shareholder of the Company – refer ASX announcement dated 15 October 2018.

(ii) The closing balance at 30 June 2019 for Other KMP includes 4,504,295 LSP shares (in-substance options) held by Messrs. Kerr (2,178,478 LSP shares), Stokes (1,680,686 LSP shares) and de Kruijff (645,131 LSP shares), of which 2,580,567 LSP shares held by Messrs. Kerr (1,456,716 LSP shares) and Stokes (1,123,851 LSP shares) had vested as at balance date. The balance of the LSP shares vested shortly after balance date.

Remuneration of Key Management Personnel for the year ended 30 June 2018

30 June 2018	Short Term				Post Employment	Long Term		
	Salary & Fees $	Non Monetary[(a)] $	Cash Incentives[(b)] $	Accrued Annual Leave[(c)] $	Super-annuation $	Long Service Leave[(d)] $	Total[(e)] $	% Perform-ance Related
Directors								
Lee Seng Hui	95,548	-	-	-	9,077	-	**104,625**	-
A Jones	90,868	-	-	-	8,632	-	**99,500**	-
Li Shaofeng	-	-	-	-	-	-	**-**	-
R Barwick	90,868	-	-	-	8,632	-	**99,500**	-
S Bird	97,717	-	-	-	9,283	-	**107,000**	-
P Dougas	86,500	-	-	-	-	-	**86,500**	-
K Chan	37,987	-	-	-	3,646	-	**41,633**	-
A Ferguson (Alt)	-	-	-	-	-	-	**-**	-
Sub-total	**499,488**	**-**	**-**	**-**	**39,270**	**-**	**538,758**	
Other KMP								
J Beyer	624,171	17,510	170,865	4,788	59,296	46,409	**923,039**	19
P Kerr	434,045	12,778	114,760	(3,216)	25,000	13,641	**597,008**	19
D Stokes	323,426	10,566	88,537	4,962	30,725	11,249	**469,465**	19
S de Kruijff	374,710	11,750	237,989	(4,312)	35,597	4,468	**660,202**	36
Sub-total	**1,756,352**	**52,604**	**612,151**	**2,222**	**150,618**	**75,767**	**2,649,714**	
Totals	**2,255,840**	**52,604**	**612,151**	**2,222**	**189,888**	**75,767**	**3,188,472**	

(a) Non-Monetary items include the value (where applicable) of benefits such as group life insurance 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 short term incentives awarded during the year and paid after year-end. Consideration of the formal short term incentive for the 2017/18 year was deferred to 2018/19.

(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 amount of dividends paid to KMP disclosed in the 30 June 2018 financial report was $94,989. The comparative figure has been adjusted to remove the dividends paid to KMPs as these were embedded in the calculation of the fair value of the LSP shares at grant date.

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 2019 and 30 June 2018.

Company Performance

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

		30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Net profit/(loss) after tax	***$'000***	133,369	99,129	26,322	86,297	(911,422)
Earnings/(loss) per share	***$/share***	0.1198	0.0908	0.0241	0.0791	(0.8356)
Closing share price	***$***	1.02	0.43	0.33	0.26	0.20

End of remuneration report.

Signed in accordance with a resolution of the Directors.

Lee Seng Hui

LEE SENG HUI
Chairman
Sydney, 20 August 2019

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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 2019, 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; and

b) no contraventions of 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

Gavin Buckingham

Gavin Buckingham
Partner
20 August 2019

Consolidated Income Statement

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
CONTINUING OPERATIONS			
Revenue	3[a]	278,364	254,129
Interest revenue	3[b]	11,115	12,140
TOTAL REVENUE		**289,479**	**266,269**
Cost of sales	4[a]	(204,286)	(217,542)
GROSS PROFIT		**85,193**	**48,727**
Other income	3[c]	4,656	66,483
Administration and other expenses	4[c]	(18,068)	(14,823)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**71,781**	**100,387**
Finance costs	4[b]	(1,496)	(1,284)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**70,285**	**99,103**
Tax benefit	5	62,960	-
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**133,245**	**99,103**
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	32[a]	124	26
PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**133,369**	**99,129**
Earnings per share (cents per share)			
• basic earnings per share	26	11.98	9.08
• diluted earnings per share	26	11.95	9.04
Earnings per share (cents per share) for continuing operations			
• basic earnings per share	26	11.97	9.08
• diluted earnings per share	26	11.94	9.04

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	2019 $'000	2018 $'000
PROFIT FOR THE PERIOD AFTER TAX	**133,369**	**99,129**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of cash flow hedges	(179)	(325)
Reclassification adjustments for loss on cash flow hedges transferred to the Income Statement	358	(86)
Change in fair value of available for sale financial assets	-	982
Change in fair value of debt instruments classified as financial assets at fair value through other comprehensive income	(122)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**57**	**571**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**133,426**	**99,700**

Consolidated Balance Sheet

As at 30 June 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	48,850	46,547
Term deposits and subordinated notes	7	297,482	377,030
Financial assets held for trading	8	38,199	33,957
Trade and other receivables	9	34,640	7,843
Inventories	10	24,289	23,321
Prepayments		4,198	3,374
Derivative financial assets	11	36	-
Total Current Assets		**447,694**	**492,072**
Non-Current Assets			
Property, plant and equipment	13	21,717	7,734
Mine properties	15	194,994	87,781
Prepayments		1,929	2,370
Deferred tax assets	5	62,907	-
Total Non-Current Assets		**281,547**	**97,885**
TOTAL ASSETS		**729,241**	**589,957**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	55,194	42,078
Employee benefits		3,495	3,336
Interest-bearing loans and borrowings	18	1,753	-
Derivative financial liabilities	19	6,042	325
Provisions	20	6,659	6,539
Total Current Liabilities		**73,143**	**52,278**
Non-Current Liabilities			
Employee benefits		283	489
Provisions	20	43,003	40,366
Total Non-Current Liabilities		**43,286**	**40,855**
TOTAL LIABILITIES		**116,429**	**93,133**
NET ASSETS		**612,812**	**496,824**
EQUITY			
Issued capital	21	583,395	568,328
Accumulated losses	23	(953,350)	(1,053,908)
Reserves	22	982,767	982,404
TOTAL EQUITY		**612,812**	**496,824**

Consolidated Cash Flow Statement

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		253,860	255,814
Payments to suppliers and employees		(194,052)	(220,566)
Proceeds from Koolan Island seawall business interruption insurance claim		-	64,287
Interest paid		(424)	(308)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	6[b]	**59,384**	**99,227**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		11,628	12,205
Proceeds from sale of property, plant and equipment		327	128
Purchase of property, plant and equipment		(18,540)	(5,998)
Payment (for)/from term deposits		70,400	(10,500)
Proceeds from sale of subordinated notes		35,000	10,020
Payment for subordinated notes		(25,974)	(10,047)
Proceeds from sale of financial assets held for trading		16,140	23,889
Payment for financial assets held for trading		(20,256)	(25,104)
Payment for deferred exploration and evaluation expenditure		(223)	(324)
Payment for mine development		(109,184)	(74,005)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(40,682)**	**(79,736)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		603	-
Proceeds from insurance premium funding facility		1,753	-
Payment of borrowing costs		(163)	(124)
Dividends paid		(18,347)	(21,859)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**(16,154)**	**(21,983)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,548	(2,492)
Net foreign exchange difference		(245)	283
Cash and cash equivalents at beginning of year		46,547	48,756
CASH AND CASH EQUIVALENTS AT END OF YEAR	6[a]	**48,850**	**46,547**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Net Unrealised Gains / (Losses) Reserve	Dividend Distribution Reserve	Equity Reserves	Total Equity
	Attributable to Equity Holders of the Parent						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	**568,328**	**(1,131,178)**	**20,531**	**232**	**964,262**	**(3,192)**	**418,983**
Profit for the period	-	99,129	-	-	-	-	**99,129**
Other comprehensive income	-	-	-	571	-	-	**571**
Total comprehensive income for the year	**-**	**99,129**	**-**	**571**	**-**	**-**	**99,700**
Transactions with owners in their capacity as owners							
Dividends paid	-	(21,859)	-	-	-	-	**(21,859)**
At 30 June 2018	**568,328**	**(1,053,908)**	**20,531**	**803**	**964,262**	**(3,192)**	**496,824**
At 1 July 2018	**568,328**	**(1,053,908)**	**20,531**	**803**	**964,262**	**(3,192)**	**496,824**
Profit for the period	-	133,369	-	-	-	-	**133,369**
Other comprehensive income	-	-	-	57	-	-	**57**
Total comprehensive income for the year	**-**	**133,369**	**-**	**57**	**-**	**-**	**133,426**
Transactions with owners in their capacity as owners							
Dividends paid	-	(32,987)	-	-	-	-	**(32,987)**
After tax dividends netted off against loan-funded shares	-	176	-	-	-	-	**176**
Shares issued under DRP	14,464	-	-	-	-	-	**14,464**
Exercise of shares vested under LSP	603	-	-	-	-	-	**603**
Share-based payments	-	-	306	-	-	-	**306**
At 30 June 2019	**583,395**	**(953,350)**	**20,837**	**860**	**964,262**	**(3,192)**	**612,812**

Notes to the Consolidated Financial Report

For the year ended 30 June 2019

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 2019, were authorised for issue in accordance with a resolution of the Directors on 20 August 2019.

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 the Mid-West region of Western Australia and Koolan Island in the Kimberley 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 has also 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 2018. Adoption of these standards and interpretations, including AASB 15 *Revenue from Contracts with Customers* (**AASB 15**) and AASB 9 *Financial Instruments* (**AASB 9**), did not have a material effect on the financial position or performance of the Group at the date of initial application (see note 37). 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 2018, except for the adoption of new standards and interpretations as of 1 July 2018.

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	2019 $'000	2018 $'000
3. Revenue and Other Income			
[a] Revenue			
Revenue from contracts with customers – sale of iron ore		213,396	250,341
Revenue from contracts with customers – freight/shipping services		45,621	-
		259,017	250,341
Other revenue:			
Quotation period price adjustments		26,427	-
Realised gain/(loss) on foreign exchange and commodity forward sales contracts		(7,080)	3,788
		278,364	254,129
[b] Interest revenue			
Interest revenue – calculated using the effective interest method		6,541	12,140
Interest revenue - other		4,574	-
		11,115	12,140
[c] Other income			
Net realised gain on foreign exchange transactions		1,286	1,172
Net unrealised foreign exchange gain on balances		-	283
Net gain on disposal of property, plant and equipment		251	128
Net realised gain on financial assets held for trading		147	95
Unrealised marked-to-market gain on financial assets held for trading		-	145
Insurance proceeds – Koolan Island seawall business interruption insurance claim		-	64,287
Insurance proceeds – other		21	20
Rail credit income		2,458	-
Other income		493	353
		4,656	66,483

Recognition and measurement

Revenue from contracts with customers (policy adopted from 1 July 2018)

The Group adopted AASB 15 using the modified retrospective method of adoption with an initial application date of 1 July 2018 and has not restated comparative information.

The revised accounting policy effective from 1 July 2018 is set out below.

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 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 from 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 are 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 period of time as shipping occurs.

Revenue from Sale of Goods (policy adopted up to 30 June 2018)

Revenue from the sale of Iron Ore was recognised when the significant risks and rewards of ownership of the goods passed to the buyer. Revenue was measured at the fair value of consideration received or receivable to the extent that it was probable that the economic benefits would flow to the entity and the revenue could be reliably measured.

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 give 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 performs. 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	2019 $'000	2018 $'000
4. Expenses			
[a] Cost of sales – continuing operations			
Mining and site administration costs		123,868	35,518
Depreciation – mining and site administration		2,973	761
Mining waste costs deferred (Koolan Island pre-production)	15	(65,615)	-
Amortisation of mining waste costs deferred	15	1,039	-
Amortisation of mine properties	15	4,287	4,125
Pre-production expenditure capitalised		(11,155)	-
Crushing costs		11,876	5,313
Depreciation – crushing		293	32
Transport costs		54,922	83,852
Depreciation – transport		767	612
Port costs		13,818	16,538
Depreciation – port		259	139
Royalties		18,764	14,485
Net ore inventory movement		4,330	944
Impairment (write-back)/loss on ore inventories	10[i]	(140)	(2,443)
Rehabilitation revised estimate adjustments	20	(1,621)	-
Cost of sales – FOB		158,665	159,876
Shipping freight		45,621	57,666
Cost of sales – CFR		204,286	217,542
[b] Finance costs			
Finance charges on banking facilities		569	439
Non-cash interest accretion on rehabilitation provision	20	927	845
		1,496	1,284
[c] Administration and other expenses include:			
Depreciation		178	276
Share-based payments expense	25(a)	306	-
Impairment of debtors		-	50
Net unrealised loss on foreign exchange balances		244	-
Koolan seawall insurance claim		477	448
Insurance premiums (net of refunds)		1,364	1,002
Business development expenses		26	467
Impairment/(write-back) and obsolescence of consumables inventories		(2,100)	61
Impairment (write-back) of deferred acquisition, exploration and evaluation	14	3	(62)
Exploration expenses	14	220	38
Unrealised marked-to-market loss on foreign exchange and commodity forward derivatives		5,859	255
Unrealised marked-to-market loss on financial assets held for trading		21	-
[d] Cost of sales and Administration and other expenses above include:			
Salaries, wages expense and other employee benefits		46,543	25,789
Operating lease rental – minimum lease payments		4,913	3,198

Notes to the Consolidated Financial Report (continued)

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 20 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 25.

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.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Depreciation and amortisation

Refer to notes 13 and 15 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 16 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

	2019 $'000	2018 $'000

5. Taxation

Major components of tax benefit for the years ended 30 June 2019 and 2018 are:

	2019 $'000	2018 $'000
Income Statement		
Current tax		
Current income tax charge	-	-
Refund in respect of previous return	-	-
Deferred tax		
Relating to origination and reversal of temporary differences:		
Income tax benefit recognised from previously unrecognised tax losses and deductible temporary differences	(84,407)	-
Deferred tax relating to movement in temporary differences	21,447	-
Tax benefit reported in Income Statement	**(62,960)**	**-**
Tax benefit relating to continuing operations	(63,013)	-
Tax expense relating to discontinued operations	53	-
	(62,960)	**-**
Statement of Changes in Equity		
Deferred income tax		
Remeasurement of foreign exchange contracts	53	-
Deferred income tax (benefit)/liability reported in equity	53	-

Reconciliation of tax benefit

A reconciliation of tax benefit applicable to accounting profit before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the years ended 30 June 2019 and 2018 is as follows:

	2019 $'000	2018 $'000
Accounting profit before tax	70,462	99,129
• At the statutory income tax rate of 30% (2018: 30%)	21,138	29,739
• Expenditure not allowed for income tax purposes	308	46
• Recognition of previously unrecognised deferred tax assets	(84,407)	(29,749)
• Adjustments in respect of current income tax of previous year	-	17
• Other	54	(53)
Tax benefit reported in Income Statement	**(62,907)**	**-**

5. Taxation (Continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
CONSOLIDATED						
Accrued liabilities	(5,268)	(3,158)	-	-	(5,268)	(3,158)
Capital raising costs	(417)	(645)	-	-	(417)	(645)
Deferred expense	-	(949)	-	-	-	(949)
Deferred income	-	-	117	123	117	123
Donations	(13)	(22)	-	-	(13)	(22)
Foreign exchange contracts	(1,831)	(45)	-	-	(1,831)	(45)
Inventory	-	(230)	754	-	754	(230)
Prepaid expenditure	-	-	82	63	82	63
Fixed assets, mine properties and exploration expenditure	-	(16,593)	6,899	-	6,899	(16,593)
Provisions	(13,059)	(16,198)	-	-	(13,059)	(16,198)
Borrowing cost	(119)	(194)	-	-	(119)	(194)
Research and development carried forward tax offset	(1,063)	(1,063)	-	-	(1,063)	(1,063)
Tax losses	(48,989)	(45,496)	-	-	(48,989)	(45,496)
Tax (assets)/liabilities	(70,759)	(84,593)	7,852	186	(62,907)	(84,407)
Derecognition of deferred tax asset	-	84,593	-	(186)	-	84,407
Net tax (assets)/liabilities	**(70,759)**	**-**	**7,852**	**-**	**(62,907)**	**-**

	Balance 1 July 2018	Recognised in Income	Recognised in Equity	Balance 30 June 2019
	$'000	**$'000**	**$'000**	**$'000**
Movement in temporary differences during the financial year ended 30 June 2019				
Accrued liabilities	(3,158)	(2,110)	-	(5,268)
Capital raising costs	(645)	228	-	(417)
Deferred expense	(949)	949	-	-
Deferred income	123	(6)	-	117
Donations	(22)	9	-	(13)
Foreign exchange contracts	(45)	(1,839)	53	(1,831)
Inventory	(230)	984	-	754
Prepaid expenditure	63	19	-	82
Fixed assets, mine properties and exploration expenditure	(16,593)	23,492	-	6,899
Provisions	(16,198)	3,139	-	(13,059)
Borrowing cost	(194)	75	-	(119)
Research and development carried forward tax offset	(1,063)	-	-	(1,063)
Tax losses	(45,496)	(3,493)	-	(48,989)
(Recognition)/derecognition of deferred tax asset	84,407	(84,407)	-	-
	-	**(62,960)**	**53**	**(62,907)**

5. Taxation (Continued)

	Balance 1 July 2017 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 2018 $'000
Movement in temporary differences during the financial year ended 30 June 2018				
Accrued liabilities	(1,743)	(1,415)	-	(3,158)
Capital raising costs	(1,015)	370	-	(645)
Deferred expense	-	(949)	-	(949)
Deferred income	(1)	124	-	123
Donations	(10)	(12)	-	(22)
Foreign exchange contracts	(89)	97	(53)	(45)
Inventory	(1,211)	981	-	(230)
Prepaid expenditure	53	10	-	63
Fixed assets, mine properties and exploration expenditure	(23,545)	6,952	-	(16,593)
Provisions	(15,416)	(782)	-	(16,198)
Borrowing cost	(298)	104	-	(194)
Research and development carried forward tax offset	(1,063)	-	-	(1,063)
Tax losses	(69,818)	24,322	-	(45,496)
Derecognition of deferred tax asset	114,156	(29,802)	53	84,407
	-	**-**	**-**	**-**

	2019 $'000	2018 $'000
Unrecognised deferred tax assets (calculated at 30%)		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences	-	38,911
Tax losses	-	45,496
	-	84,407

Notes to the Consolidated Financial Report (continued)

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.

As at 30 June 2019 the Group considers it probable that sufficient taxable profits will be generated in the near term to enable the previously unrecognised deferred tax assets to be recognised at balance date.

	2019 $'000	2018 $'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:

	2019 $'000	2018 $'000
Cash at bank and on hand	48,850	46,547
	48,850	**46,547**

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 after tax to the net cash flows from operations

	2019 $'000	2018 $'000
Net profit after tax	133,369	99,129
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation of non-current assets	4,480	1,842
Amortisation of mining waste costs deferred	1,039	-
Amortisation of other mine properties	4,287	4,125
Net (gain) on disposal of property, plant and equipment	(251)	(128)
Interest revenue	(11,115)	(12,140)
Exploration expenses written off	220	38
Share based payments	306	-
Borrowing costs	144	131
Interest accretion on rehabilitation provision	927	845
Net ore inventory movement	4,330	944
Impairment of debtors	-	154
Impairment/(write-back) and obsolescence of consumables inventories	(2,100)	61
Impairment/(write-back) of ore inventories	(140)	(2,443)
Impairment/(write-back) of deferred acquisition, exploration and evaluation	3	(62)
Unrealised (gain)/loss on foreign exchange balances	244	(283)
Unrealised marked-to-market loss on foreign exchange and commodity forward derivatives	5,859	255
Unrealised marked-to-market (gain)/loss on financial assets held for trading	21	(145)
Realised (gain) on sale of financial assets held for trading	(147)	(95)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(27,310)	1,461
(Increase) in inventory	(3,058)	(1,144)
(Increase) in prepayments and deposits	(4,455)	(281)
(Increase) in deferred tax assets	(62,907)	-
Increase in trade and other payables	21,979	3,551
Increase/(decrease) in employee benefits	(47)	524
Increase/(decrease) in provision for restructure	(3,033)	3,559
(Decrease) in other provisions	(3,261)	(671)
Net Cash Flow from Operating Activities	**59,384**	**99,227**

[c] Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2019 (2018: nil).

7. Term Deposits and Subordinated Notes

	Notes	2019 $'000	2018 $'000
Current			
Term deposits – loans and receivables	[i]	-	279,000
Term deposits – financial assets at amortised cost	[i]	208,600	-
Subordinated notes – available for sale investment	[ii]	-	98,030
Subordinated notes – financial assets at fair value through other comprehensive income (**OCI**)	[ii]	88,882	-
		297,482	**377,030**

[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 (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 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 (S&P). 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

Policy applied from 1 July 2018

See note 35 for the accounting policy for financial assets classified as financial assets at amortised cost and financial assets at fair value through OCI.

Policy applied to 30 June 2018

Term deposits were classified as receivables and recorded at amortised costs using the effective interest rate method less impairment. Subordinated notes were classified as available for sale investments and carried at fair value through other comprehensive income.

8. Financial Assets Held for Trading

	2019 $'000	2018 $'000
Current		
Tradeable corporate bonds at fair value through profit or loss	33,055	32,420
Quoted share investments at fair value through profit or loss	5,144	1,537
	38,199	**33,957**

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

Policy applied from 1 July 2018

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

Policy applied to 30 June 2018

Financial assets held for trading were measured at fair value through the income statement. Gains or losses from the sale of the financial assets were recognised in the income statement. Interest earned at market bond rates was recognised in the income statement on an effective yield basis.

	Notes	2019 $'000	2018 $'000

9. Trade and Other Receivables

	Notes	2019 $'000	2018 $'000
Current			
Trade debtors – at amortised cost	[a][i]	155	6,087
Allowance for impairment	[b]	(70)	(3,374)
		85	2,713
Trade debtors – at fair value through profit or loss	[a][i]	26,983	-
Sundry debtors	[a][ii]	5,387	2,763
Other receivables		2,185	2,367
		34,640	**7,843**

[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 is invoiced and received in US dollars (US$). The balance of other trade debtors are invoiced and received in Australian dollars (A$).

[ii] Sundry debtors are non-interest bearing and have repayment 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.

[b] Impaired trade receivables

The table below reconciles the allowance for impairment loss for the years ended 30 June 2019 and 2018.

	2019 $'000	2018 $'000
Allowance for impairment – trade debtors		
Balance at the beginning of the year	3,374	5,384
Charge for the year	-	154
Utilised	(3,304)	(2,164)
Balance at the end of the year	70	3,374

At 30 June 2019, trade debtors of $35,000 (2018: $131,000) in the Group were past due but not impaired. These related to a number of customers for whom there is no recent history of default. At 20 August 2019, $18,000 of this amount remains outstanding.

	2019	2018
The ageing of trade debtors is as follows:		
Current	50	2,582
Less than 30 days overdue	-	-
Between 30 and 60 days overdue	-	-
Between 60 and 90 days overdue	30	124
Greater than 90 days overdue	5	7
	85	2,713
Impaired receivables	70	3,374
	155	6,087

Recognition and measurement

Policy applied from 1 July 2018

See note 35 for the accounting policy for financial assets.

Policy applied to 30 June 2018

Trade receivables

Trade receivables were recognised and carried at amortised cost less any allowance for impairment. The exposure of provisionally priced sales to commodity price movements over the quotational period, previously led to an embedded derivative (QP derivative) being separated from the host trade receivable and accounted for separately.

Collectability of trade receivables was reviewed on an ongoing basis at an operating unit level. Individual debts that were known to be uncollectible were written off when identified. An allowance for impairment of trade receivables was made when there is objective evidence that the Group would not be able to collect the debts. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency and default in payment. Any impairment was recognised in the income statement.

Other receivables

Other receivables were recorded at amortised cost, using the effective interest rate method, less any impairment.

Notes to the Consolidated Financial Report (continued)

	Notes	2019 $'000	2018 $'000

10. Inventories

	Notes	2019 $'000	2018 $'000
Consumables – at cost		16,891	13,833
Allowance for impairment of consumables inventories		(5,439)	(7,539)
		11,452	6,294
Ore – at cost		13,407	17,737
Allowance for impairment of ore inventories	[i]	(570)	(710)
At net realisable value		12,837	17,027
Total inventories		**24,289**	**23,321**

[i] At 30 June 2019, the Group assessed the carrying values of ore inventories stockpiled at the Extension Hill 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.

Impairment write-backs were recorded for ore inventories that were impaired and sold during the period.

Based on these assumptions, the following impairment write-backs on ore inventories were recorded during the financial period:

	2019 $'000	2018 $'000
Extension Hill	140	2,443
Koolan Island	-	-
Total write-backs on impairment	**140**	**2,443**

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.

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

Key estimate

Consumables are impaired if considered damaged or, have become wholly or partially obsolete. A new assessment is made of impairment in each subsequent period.

11. Derivative Financial Assets

	Notes	2019 $'000	2018 $'000
Current			
Foreign currency option contracts	35[b][i]	36	-
		36	**-**

Refer note 35 for details on derivative financial instruments.

12. Interests in Subsidiaries

Name	Country of Incorporation	Percentage of Equity Interest Held by the Group	
		2019	2018
		%	%
Mount Gibson Mining Limited	Australia	100	100
Geraldton Bulk Handling Pty Ltd	Australia	100	100
Gibson Minerals Ltd	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

	2019	2018
	$'000	$'000
CONTINUING OPERATIONS		
Revenue	278,364	254,129
Interest revenue	11,115	12,140
TOTAL REVENUE	289,479	266,269
Cost of sales	(192,978)	(202,446)
GROSS PROFIT	96,501	63,823
Other income	4,654	66,480
Impairment of non-current other receivables	(364)	(14,864)
Administration and other expenses	(17,532)	(15,052)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS	83,259	100,387
Finance costs	(1,496)	(1,284)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	81,763	99,103
Tax benefit	51,482	-
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	133,245	99,103
DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	124	26
PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY	133,369	99,129

Notes to the Consolidated Financial Report (continued)

Consolidated Balance Sheet of the Closed Group

	Notes	2019 $'000	2018 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		48,654	46,430
Term deposits and subordinated notes		297,482	377,030
Financial assets held for trading		33,055	32,420
Trade and other receivables		34,568	7,674
Inventories		24,016	23,116
Prepayments		4,048	3,224
Derivative financial assets		36	-
TOTAL CURRENT ASSETS		**441,859**	**489,894**
NON-CURRENT ASSETS			
Other receivables		9,813	-
Property, plant and equipment		21,717	7,483
Mine properties		194,994	87,781
Prepayments		1,929	2,370
Deferred tax assets		57,420	-
TOTAL NON-CURRENT ASSETS		**285,873**	**97,634**
TOTAL ASSETS		**727,732**	**587,528**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		54,030	39,847
Employee benefits		3,347	3,083
Interest-bearing loans and borrowings		1,753	-
Derivative financial liabilities		6,042	325
Provisions		6,487	6,144
TOTAL CURRENT LIABILITIES		**71,659**	**49,399**
NON-CURRENT LIABILITIES			
Other payables		-	461
Employee benefits		258	478
Provisions		43,003	40,366
TOTAL NON-CURRENT LIABILITIES		**43,261**	**41,305**
TOTAL LIABILITIES		**114,920**	**90,704**
NET ASSETS		**612,812**	**496,824**
EQUITY			
Issued capital		583,395	568,328
Accumulated losses	[i]	(953,350)	(1,053,908)
Reserves		982,767	982,404
TOTAL EQUITY		**612,812**	**496,824**

[i] **Accumulated losses**

Balance at the beginning of the year	(1,053,908)	(1,131,178)
Net profit attributable to members of the closed group	133,369	99,129
Dividends paid	(32,811)	(21,859)
Balance at the end of the year	(953,350)	(1,053,908)

Notes to the Consolidated Financial Report (continued)

13. Property, Plant and Equipment

	Land		Plant and equipment		Plant and equipment under lease		Buildings		Capital works in progress		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount at cost	649	649	293,637	279,895	16,590	22,074	141,468	140,048	2,206	776	454,550	443,442
Accumulated depreciation and impairment	(549)	(549)	(275,748)	(273,586)	(16,590)	(22,074)	(139,946)	(139,499)	-	-	(432,833)	(435,708)
Net carrying amount	**100**	**100**	**17,889**	**6,309**	**-**	**-**	**1,522**	**549**	**2,206**	**776**	**21,717**	**7,734**
Reconciliation												
Carrying amount at the beginning of the year	100	100	6,309	4,793	-	8	549	899	776	119	7,734	5,919
Additions	-	-	15,184	5,184	-	-	1,154	38	2,202	776	18,540	5,998
Transfers	-	-	332	37	-	-	440	82	(772)	(119)	-	-
Disposals	-	-	(77)	-	-	-	-	-	-	-	(77)	-
Depreciation expense – continuing operations	-	-	(3,849)	(1,370)	-	-	(621)	(450)	-	-	(4,470)	(1,820)
Depreciation expense – discontinued operations	-	-	(10)	(22)	-	-	-	-	-	-	(10)	(22)
Depreciation capitalised	-	-	-	(2,313)	-	(8)	-	(20)	-	-	-	(2,341)
Carrying amount at the end of the year	**100**	**100**	**17,889**	**6,309**	**-**	**-**	**1,522**	**549**	**2,206**	**776**	**21,717**	**7,734**
Assets pledged as security	100	100	17,889	6,309	-	-	1,522	549	2,206	776	21,717	7,734

Refer note 18 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. Plant and equipment under hire purchase or finance lease directly engaged in mining operations is written down to its residual value over the lesser of the hire purchase or finance 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
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 16 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 '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 16 for further details on impairment.

	Notes	2019 $'000	2018 $'000

14. Deferred Acquisition, Exploration and Evaluation Costs

	2019 $'000	2018 $'000
Deferred acquisition, exploration and evaluation – at cost	18,103	18,100
Allowance for impairment	(18,103)	(18,100)
	-	-
Reconciliation		
Carrying amount at beginning of the year	-	-
Additions	223	46
Net impairment reversal/(expense)	(3)	62
Write-back of accruals	-	(70)
Exploration expenditure written off	(220)	(38)
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. 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.

Key estimates and assumptions: impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include 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.

To the extent that capitalised exploration and evaluation 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.

Notes to the Consolidated Financial Report (continued)

	2019 $'000	2018 $'000

15. Mine Properties

	2019	2018
Mine properties - at cost	1,361,526	1,629,644
Accumulated amortisation and impairment	(1,166,532)	(1,541,863)
	194,994	**87,781**

	Koolan Island		Extension Hill		Total	
Reconciliation	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred Waste						
Carrying amount at the beginning of the period	-	-	-	-	-	-
Deferred waste capitalised	65,615	-	-	-	65,615	-
Amortisation expensed	(1,039)	-	-	-	(1,039)	-
Carrying amount at the end of the period	**64,576**	**-**	**-**	**-**	**64,576**	**-**
Other mine properties						
Carrying amount at the beginning of the period	85,529	4,988	2,252	5,903	87,781	10,891
Additions	38,799	79,963	-	267	38,799	80,230
Mine rehabilitation – revised estimate adjustment	8,125	578	-	207	8,125	785
Amortisation expensed	(2,035)	-	(2,252)	(4,125)	(4,287)	(4,125)
Carrying amount at the end of the period	**130,418**	**85,529**	**-**	**2,252**	**130,418**	**87,781**
Total mine properties	**194,994**	**85,529**	**-**	**2,252**	**194,994**	**87,781**

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 18).

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 creates 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).

Notes to the Consolidated Financial Report (continued)

15. 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 16 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.

With respect to Koolan Island, mining access was gained to the first benches of high-grade ore in March 2019. The first shipment of high-grade ore, averaging 65% Fe, was completed in late April 2019. Mining and ore production were progressively ramped up and the project moved into the production phase at the end of May 2019.

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 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 16 for further details on impairment.

Notes to the Consolidated Financial Report (continued)

16. 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.

No impairment indicators were identified for any of the Group's CGUs at 30 June 2019.

The Group performed an impairment reversal trigger assessment of the Koolan Island CGU at 30 June 2019 as this CGU had previously been impaired in prior periods. Impairment reversal triggers were identified for the Koolan Island CGU at 30 June 2019.

Accordingly, the Group assessed the recoverable amount of the Koolan Island CGU as at 30 June 2019 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 CGU:

- Cashflow forecasts were made based on recent actual performance, budgets and anticipated revenues and estimated operating and capital costs over the remaining life of the mine;
- Discount rate of 10.0% (nominal, after tax);
- Iron ore price forecasts for the 62% Fe benchmark fines CFR prices (northern China), expressed in real 2019 terms, of US$73/dmt in 2019/20 (falling over the following five years to US$55/dmt), at an exchange rate of A$1.00/US$0.705 in 2019/20 (rising to US$0.735 for three years and US$0.740 thereafter) with sensitivities undertaken for a broad range of these inputs;
- Forecast realised sales prices reflect a reasonable high grade premium for 65% Fe iron ore; and
- Revenue and cost inflation estimates of 2.0% per year.

The Group's assessment of the Koolan Island CGU has concluded that no impairment reversal is required as at 30 June 2019.

The cashflow estimates for the Koolan Island CGU are most sensitive to changes in iron ore prices and the A$/US$ exchange rate. It is estimated that changes in these key assumptions would impact the recoverable amount of the CGU as at 30 June 2019 as follows:

- An increase in the benchmark 62% Fe CFR fines iron ore price by 10% would increase the CGU's recoverable amount by approximately $97 million; and
- A reduction in the A$/US$ exchange rate by 10% would increase the CGU's recoverable amount by approximately $82 million.

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 to sell 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 to sell 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.

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 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.

Notes to the Consolidated Financial Report (continued)

	Notes	2019 $'000	2018 $'000

17. Trade and Other Payables

	Notes	2019 $'000	2018 $'000
Current			
Trade creditors	[i]	20,463	15,289
Accruals and other payables	[i]	34,731	26,789
		55,194	**42,078**

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

Recognition and measurement

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	2019 $'000	2018 $'000

18. Interest-Bearing Loans and Borrowings

	Notes	2019 $'000	2018 $'000
Current			
Insurance premium funding facility	[a]	1,753	-
		1,753	**-**

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

	Notes	2019 $'000	2018 $'000
Performance bonding facility	[b]		
Used at reporting date		7,087	9,444
Unused at reporting date		12,913	10,556
		20,000	20,000

Terms and conditions relating to the above financing facilities:

[a] Insurance premium funding facility

Insurance premium arrangements have been entered into by the Group to fund its annual insurance premiums. Interest is charged at 3.74% pa. The loan is repayable monthly with the final instalment due in September 2019.

[b] 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. The Performance Bonding facility was reduced in size from $55,000,000 to $20,000,000 in June 2017 and extended to 30 June 2021. As at balance date, bonds and guarantees totalling $7,087,000 were drawn under the Performance Bonding Facility.

The security pledge for the Performance Bonding Facility is a fixed and floating charge over all the assets and undertakings of Mount Gibson Iron Limited, Mount Gibson Mining Limited, Geraldton Bulk Handling Pty Ltd, 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.

Recognition and measurement

All 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.

	Notes	2019 $'000	2018 $'000

19. Derivative Financial Liabilities

	Notes	2019 $'000	2018 $'000
Current			
Foreign currency option contracts	35[b][i]	3	325
Iron ore swap contracts	35[e]	6,039	-
		6,042	**325**

20. Provisions

	Road Resealing		Restructure		Decommissioning Rehabilitation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current	1,200	2,000	526	3,559	4,933	980	6,659	6,539
Non-Current	-	-	-	-	43,003	40,366	43,003	40,366
	1,200	**2,000**	**526**	**3,559**	**47,936**	**41,346**	**49,662**	**46,905**
Reconciliation								
Carrying amount at the beginning of the year	2,000	2,536	3,559	-	41,346	39,851	46,905	42,387
Provision for period	-	256	-	3,559	-	-	-	3,815
Amounts utilised during the period	(422)	(179)	(3,033)	-	(730)	(135)	(4,185)	(314)
Interest accretion on rehabilitation provision - expensed	-	-	-	-	927	845	927	845
Revised estimate adjustment – continuing operations	-	-	-	-	(1,621)	-	(1,621)	-
Revised estimate adjustment – discontinued operations	(378)	(613)	-	-	(111)	-	(489)	(613)
Revised estimate adjustment – mine properties asset	-	-	-	-	8,125	785	8,125	785
Carrying amount at the end of the year	**1,200**	**2,000**	**526**	**3,559**	**47,936**	**41,346**	**49,662**	**46,905**

Road resealing
This provision relates to the forecast cost of roadworks associated with the Tallering Peak and Extension Hill mine sites.

Restructure
This provision relates to the forecast costs associated with release of personnel on the wind down and/or closure of the Extension Hill mine site where a detailed formal plan has been approved and communicated to the relevant mine site workforce.

Decommissioning rehabilitation
This provision represents the present value of decommissioning and rehabilitation costs for the Tallering Peak, Koolan Island and Extension Hill sites. The cost estimates forming the basis of the provisions 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 occur at Tallering Peak and Extension Hill within the next 1-3 years, and at Koolan Island between 4-6 years from balance date.

	2019 $'000	2018 $'000

20. Provisions (Continued)

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

	2019	2018
Tallering Peak	730	980
Koolan Island	37,353	28,542
Extension Hill	9,853	11,824
	47,936	41,346

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 lives 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 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)

	2019 $'000	2018 $'000

21. Issued Capital

[a] Ordinary shares

	2019 $'000	2018 $'000
Issued and fully paid	**583,395**	**568,328**

	Notes	2019 Number of Shares	2019 $'000	2018 Number of Shares	2018 $'000
[b] Movement in ordinary shares on issue					
Balance at the beginning of the financial year		1,091,813,060	568,328	1,091,813,060	568,328
Shares issued under Dividend Reinvestment Plan		29,883,486	14,464	-	-
Shares fully paid under LSP	[f]	2,168,889	603	-	-
		1,123,865,435	583,395	1,091,813,060	568,328
Restricted shares – reserved for Loan Share Plan:					
Balance at the beginning of the financial year		4,749,456	-	4,749,456	-
Shares issued under LSP		2,998,351	-	-	-
Shares forfeited under LSP	[f]	(1,074,623)	-	-	-
Conversion of fully paid shares under LSP	[f]	(2,168,889)	-	-	-
		4,504,295	-	4,749,456	-
Balance at the end of the financial year		1,128,369,730	583,395	1,096,562,516	568,328

[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 2019, there were no options on issue (2018: nil).

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

[e] Performance rights

During the year ended 30 June 2019, no Performance Rights were issued.

No Performance Rights vested during the year (2018: nil).

As at 30 June 2019, there were no Performance Rights on issue (2018: nil) – see note 25(c).

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

During the year ended 30 June 2019, 2,998,351 shares under the LSP were issued.

No shares under the LSP vested during the year (2018: 4,749,456).

A total of 1,074,623 shares under the LSP were forfeited upon the resignation of Mr Jim Beyer on 30 September 2018. These shares were subsequently reissued under the Company's Dividend Reinvestment Plan (see note 27).

During the year ended 30 June 2019, Mr Jim Beyer repaid the loan for the shares that were issued on 24 August 2016 under the LSP which vested in July 2017. Accordingly, 2,168,889 shares that were previously reported as restricted shares are now reported as unrestricted shares.

[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 2019.

	Notes	2019 $'000	2018 $'000

22. Reserves

	Notes	2019 $'000	2018 $'000
Share based payments reserve	[a]	20,837	20,531
Net unrealised gains reserve	[b]	860	803
Dividend distribution reserve	[c]	964,262	964,262
Equity reserves	[d]	(3,192)	(3,192)
		982,767	**982,404**

[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.

	2019 $'000	2018 $'000
Balance at the beginning of the year	20,531	20,531
Share based payments	306	-
Balance at the end of the year	20,837	20,531

[b] Net unrealised gains reserve

This reserve records movement for financial assets classified as fair value through other comprehensive income (2018: available for sale financial assets) and gains and losses on hedging instruments classified as effective cash flow hedges.

	2019 $'000	2018 $'000
Balance at the beginning of the year	803	232
Net gain/(loss) on cash flow hedges	179	(411)
Change in fair value of available for sale financial assets	(122)	982
Deferred income tax on cash flow hedges	-	-
Balance at the end of the year	860	803

[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.

	2019 $'000	2018 $'000
Balance at the beginning of the year	964,262	964,262
Movement during the period	-	-
Balance at the end of the year	964,262	964,262

[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.

	2019 $'000	2018 $'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 to the Consolidated Financial Report (continued)

	Notes	2019 $'000	2018 $'000

23. Accumulated Losses

Balance at the beginning of the year		(1,053,908)	(1,131,178)
Dividends paid during the period		(32,811)	(21,859)
Net profit attributable to members of the Company		133,369	99,129
Balance at the end of the year		**(953,350)**	**(1,053,908)**

24. Expenditure Commitments

	Notes	2019 $'000	2018 $'000
[a] Exploration Expenditure Commitments	[i]		
Minimum obligations not provided for in the financial report and are payable:			
• Not later than one year		470	470
• Later than one year but not later than five years		1,292	1,401
• Later than five years		1,721	2,088
		3,483	**3,959**
[b] Operating Lease Commitments	[ii]		
Minimum lease payments			
• Not later than one year		9,245	1,496
• Later than one year but not later than five years		14,820	3,119
• Later than five years		29	-
		24,094	**4,615**
[c] Property, plant and equipment commitments	[iii]		
Commitments contracted for at balance date but not recognised as liabilities			
• Not later than one year		2,857	5,246
• Later than one year but not later than five years		-	-
		2,857	**5,246**
[d] Contractual commitments	[iv]		
Commitments for the payment of other mining and transport contracts:			
• Not later than one year		13,274	9,485
• Later than one year but not later than five years		3,750	-
		17,024	**9,485**

[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] Operating leases relate to leases for office space and land with an initial term of 5 years, and leases for equipment which have an average term of 2.4 years.

[iii] The Group has contractual commitments to purchase property, plant and equipment at Koolan Island and Extension Hill.

[iv] Amounts disclosed as contractual commitments relate primarily to supplier arrangements at the Group's Extension Hill and Koolan Island sites where financial obligations, including minimum notice periods, apply in the case of termination.

	Notes	2019 $'000	2018 $'000

25. Share-Based Payment Plans

(a) Recognised share-based payment expense

Expense arising from equity-settled share-based payment transactions	4[c]	306	-

The share-based payment plans are described below. There have been no cancellations of any of the plans during 2019 or 2018.

(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 2018. 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 2019.

(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 2 July 2018, the Company issued 2,998,351 shares under the LSP. In accordance with the terms of the LSP, the shares were issued with an index share price of $0.443 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the index price is met between 1 July 2019 and 1 July 2023 and the participants remain continuously employed by the Group. The award was accounted for as an in-substance option award and the fair value at grant date assessed at $0.159 per LSP 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 was $0.45 per share, the period to exercise was assumed as three years (being half way between the first possible vesting date and the expiry of the LSP shares), the risk free rate was 2.11% 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.

A total of 1,074,623 previously issued shares under the LSP were forfeited upon the resignation of Mr Jim Beyer on 30 September 2018. These shares were subsequently reissued under the Company's Dividend Reinvestment Plan (refer note 27).

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

	2019 Number of LSP Shares	2019 WAEP[1]	2018 Number of LSP Shares	2018 WAEP[1]
Balance at beginning of the year	4,749,456	$0.28	4,749,456	$0.30
- granted during the year	2,998,351	$0.44	-	-
- exercised during the year	(2,168,889) [2]	$0.28	-	-
- forfeited during the year	(1,074,623)	$0.44	-	-
Balance at end of the year	4,504,295	$0.34	4,749,456	$0.30

[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 $1.19.

25. 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.

Notes to the Consolidated Financial Report (continued)

26. Earnings Per Share

Basic earnings per share is 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 is 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:

	2019 $'000	2018 $'000
Profit used in calculating basic and diluted earnings per share:		
Continuing operations	133,245	99,103
Discontinued operations	124	26
Profit attributable to ordinary equity holders of the Company	133,369	99,129
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,113,380,526	1,091,813,060
Effect of dilution		
- Restricted shares (in-substance options)	2,319,616	4,749,456
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,115,700,142	1,096,562,516
Earnings per Share (cents per share):		
Basic earnings per share	11.98	9.08
Diluted earnings per share	11.95	9.04

Conversions, calls, subscriptions or issues after 30 June 2019

Immediately after year end, on 3 July 2019, an issue of 1,705,800 restricted shares was made under the LSP. In accordance with the terms of the LSP, the shares were issued at an index share price of $1.03 per share. In order for the shares to vest, the participants must remain continuously employed with the Group to at least 1 July 2020 and the Company's share price, as measured by a rolling five day volume weighted average price of the Company's shares traded on the ASX, must on 1 July 2020 or at any time in the following four year period be above a 10% premium to the index price of the shares. A total of 1,923,728 shares vested after balance date in July 2019.

Other than as described above, 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 2019.

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 is 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)

	2019 $'000	2018 $'000

27. Dividends Paid and Proposed

Declared and paid during the year:

[a] Dividends on ordinary shares:

During the year ended 30 June 2019, a final dividend of $0.03 per share fully franked ($32,987,000) in respect of the 2017/18 financial year was distributed by way of $18,347,000 in cash and the issue of 29,883,486 new shares under the Company's Dividend Reinvestment Plan.

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

On 20 August 2019, the Company declared a final dividend on ordinary shares in respect of the 2018/19 financial year of $0.04 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $45,203,000. The dividend has not been provided for in the 30 June 2019 financial statements.

[c] Franked dividends:

	2019 $'000	2018 $'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%	35,706	49,843
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
	35,706	**49,843**
The amount of franking credits available for future reporting periods:		
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	(19,373)	(14,137)
	16,333	**35,706**

Tax rates

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

28. Contingent Liabilities

1. The Group has a Performance Bonding facility drawn to a total of $7,087,000 as at balance date (2018: $9,444,000). 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.

Notes to the Consolidated Financial Report (continued)

29. Key Management Personnel

[a] Compensation of Key Management Personnel

	2019 $	2018 $
Short-term	3,682,201	2,922,817
Post employment	200,323	189,888
Long-term	108,880	75,767
Share-based payment	305,873	-
	4,297,277	**3,188,472**

[b] Other Transactions and Balances with Key Management Personnel

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

30. 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 Li was a director of Shougang Concord International Trading Pty Ltd (**SCIT**), and Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**).

The following sale agreements were in place with director-related entities during the period:

- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production of the life of mine.
- The sale to SCIT of approximately 75% of the iron ore produced from the Iron Hill deposit at the Extension Hill mine site.
- No ad hoc spot sales of iron ore to SCIT from Extension Hill.
- Two ad hoc spot sales of iron ore to APAC from Extension Hill.

Pursuant to these sales agreements, during the financial year, the Group:

- Sold 2,073,265 wet metric tonnes (**WMT**) (2018: 1,678,072 WMT) of iron ore to SCIT; and
- Sold 264,712 WMT (2018: 366,940 WMT) of iron ore to APAC.

Notes to the Consolidated Financial Report (continued)

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

	2019 $'000	2018 $'000
Assets and Liabilities		
Current Assets		
Receivables – APAC	11,877	(53)
Receivables – SCIT	6,997	1,961
Total trade receivables	18,874	1,908
Total Assets	**18,874**	**1,908**
Current Liabilities		
Payables – APAC	-	-
Payables – SCIT	-	-
Total trade payables	-	-
Total Liabilities	**-**	**-**
Sales Revenue		
Sales revenue – APAC	43,066	18,893
Sales revenue – SCIT	176,344	130,278
Total Sales Revenue (before shipping freight)	**219,410**	**149,171**

Apart from the above, there are no director-related entity transactions other than those specified in note 29.

	2019 $	2018 $

31. Auditor's Remuneration

Amounts received or due and receivable by EY for:		
▪ An audit or review of the financial report of the entity and any other entity in the consolidated entity	200,054	192,095
▪ Other services in relation to the entity and any other entity in the consolidated entity	-	-
	200,054	**192,095**

	2019 $'000	2018 $'000

32. Discontinued Operations

The Tallering Peak operation was first reported as a discontinued operation in the financial report for the year ended 30 June 2015. Mining was completed in June 2014 and the final shipment of remnant low grade ore occurred in March 2017. Ongoing costs relate to rehabilitation and minor holding activities.

[a] Profit from discontinued operations

The financial results of Tallering Peak operation for the year are presented below:

	2019 $'000	2018 $'000
Impairment of debtors	-	(104)
Revised estimate adjustment – road resealing and rehabilitation provisions	489	613
Other expenses	(312)	(483)
Profit before tax and finance costs from discontinued operations	177	26
Finance costs	-	-
Profit before tax from discontinued operations	177	26
Tax expense	(53)	-
Net profit after tax from discontinued operations	124	26
Earnings per share (cents per share):		
▪ basic earnings per share	0.01	0.00
▪ diluted earnings per share	0.01	0.00

[b] Cash flow from discontinued operations

The net cash flows incurred by Tallering Peak operation are as follows:

	2019 $'000	2018 $'000
Operating	(2,514)	(653)
Investing	-	-
Financing	-	-
Net cash outflow from discontinued operations	**(2,514)**	**(653)**

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:

- Extension Hill segment – this segment includes the mining, crushing, transportation and sale of iron ore from the Extension Hill and Iron Hill iron ore deposits.
- Koolan Island segment – this segment includes the reconstruction of the main pit seawall and mining, crushing and sale of iron ore from the Koolan Island iron 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

Operating results for discontinued operations (Tallering Peak) have been excluded from the segment results below, and are set out in note 32.

During the year ended 30 June 2019, 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	2019 $'000
# 1	191,620
# 2	50,855
# 3	28,840
Other	7,049
	278,364

During the year ended 30 June 2018, revenue received from the sale of iron ore comprised purchases by the following buyers who each on a proportionate basis equated to greater than 10% of total sales for the period:

Customer	2018 $'000
# 1	132,102
# 2	35,924
# 3	25,677
Other	60,426
	254,129

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 2019.

All segment assets are located within Australia.

33. Segment Information (Continued)

	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives	179,779	196,463	52,964	-	-	-	232,743	196,463
Interest revenue	-	-	-	-	11,115	12,140	11,115	12,140
Segment revenue, net of shipping freight	**179,779**	**196,463**	**52,964**	**-**	**11,115**	**12,140**	**243,858****	**208,603**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	64,221^	39,814	22,350	-	(7,231)	64,074	79,340	103,888
Impairment (loss)/reversal	927	2,382	1,313	-	(3)	62	2,237	2,444
Earnings/(loss) before interest, tax, depreciation and amortisation	65,148	42,196	23,663	-	(7,234)	64,136	81,577	106,332
Depreciation and amortisation	(4,347)	(5,669)	(5,271)	-	(178)	(276)	(9,796)	(5,945)
Segment result	**60,801**	**36,527**	**18,392**	**-**	**(7,412)**	**63,860**	**71,781**	**100,387**
Finance costs							(1,496)	(1,284)
Profit before tax and discontinued operations							**70,285**	**99,103**
Items included in segment result:								
Impairment loss/(write-backs) of consumables inventories	(787)	61	(1,313)	-	-	-	(2,100)	61
Impairment (write-backs) on ore inventories	(140)	(2,443)	-	-	-	-	(140)	(2,443)
Impairment loss/(write-backs) of exploration and evaluation expenditure	-	-	-	-	3	(62)	3	(62)
	(927)	(2,382)	(1,313)	-	3	(62)	(2,237)	(2,444)

^ Includes reduction in provision for rehabilitation of $1,621,000 due to revised cost estimates.

* 'Unallocated' includes interest revenue of $11,115,000, unrealised marked-to-market loss on foreign exchange and commodity swaps of $5,859,000 and corporate expenses such as head office salaries and wages.

** To reconcile segment revenue to statutory revenue, shipping freight of $45,621,000 (2018: $57,666,000) is added.

Notes to the Consolidated Financial Report (continued)

33. Segment Information (Continued)

	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Segment assets								
Current financial assets	18,896	13,478	35,724	1,473	364,587	450,426	419,207	465,377
Other current assets	4,045	18,917	23,161	6,634	1,281	1,144	28,487	26,695
Property, plant and equipment	977	3,241	20,436	4,172	304	321	21,717	7,734
Mine properties	-	2,252	194,994	85,529	-	-	194,994	87,781
Other non-current assets	-	-	1,929	2,370	-	-	1,929	2,370
Deferred tax assets	-	-	-	-	62,907	-	62,907	-
Total assets	**23,918**	**37,888**	**276,244**	**100,178**	**429,079**	**451,891**	**729,241**	**589,957**
Segment liabilities								
Financial liabilities	16,170	27,078	32,633	11,790	14,186	3,535	62,989	42,403
Other liabilities	11,935	18,471	39,718	29,331	1,787	2,928	53,440	50,730
Total liabilities	**28,105**	**45,549**	**72,351**	**41,121**	**15,973**	**6,463**	**116,429**	**93,133**
Net assets/(liabilities)	**(4,187)**	**(7,661)**	**203,893**	**59,057**	**413,106**	**445,428**	**612,812**	**496,824**

* 'Unallocated' current financial assets includes term deposits of $208,600,000 (2018: $279,000,000), subordinated notes of $88,882,000 (2018: $98,030,000) and financial assets held for trading of $38,199,000 (2018: $33,957,000).

Notes to the Consolidated Financial Report (continued)

34. Events After the Balance Sheet Date

On 20 August 2019, the Company declared a final dividend on ordinary shares in respect of the 2018/19 financial year of $0.04 per share fully franked, payable either in cash or in shares to eligible shareholders as part of the Company's Dividend Reinvestment Plan. The total amount of the dividend is $45,203,000. The dividend has not been provided for in the 30 June 2019 financial statements.

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 and equipment finance arrangements, cash and short-term deposits, and financial assets held for trading.

The main purpose of these financial instruments is to raise finance 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.

During the year ended 30 June 2019, there were no US dollar foreign exchange forward contract deliveries.

At 30 June 2019, the notional amount of the foreign exchange hedge book totalling US$11,500,000 is made up exclusively of collar option contracts with maturity dates in the 4 months ended 29 October 2019 and with an average cap price of A$1.00/US$0.7255 and an average floor price of A$1.00/US$0.6722.

As at 30 June 2019, the marked-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US$11,500,000 was $33,000.

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.

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:

	2019				2018			
	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:						3,000	3,822	(143)
- *call strike price*					*0.7850*			
- *put strike price*					*0.7667*			
Within one year:						9,000	11,538	(182)
- *call strike price*					*0.7800*			
- *put strike price*					*0.7410*			
Within one year:		2,500	3,338	(3)				
- *call strike price*	*0.7490*							
- *put strike price*	*0.6800*							
Within one year:		9,000	12,517	36				
- *call strike price*	*0.7190*							
- *put strike price*	*0.6700*							
Total		**11,500**	**15,855**	**33**		**12,000**	**15,360**	**(325)**

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

	Notes	2019 $'000	2018 $'000
Current assets	11	36	-
Current liabilities	19	(3)	(325)
Total collar option contracts		33	(325)

[ii] 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 2019 and 30 June 2018.

Sensitivity to a 10% change in A$ against US$ at balance date	Net Profit 2019 $'000	Net Profit 2018 $'000	Other Comprehensive Income 2019 $'000	Other Comprehensive Income 2018 $'000
10% appreciation in the A$ spot rate with all other variables held constant	(2,886)	(770)	690	468
10% depreciation in the A$ spot rate with all other variables held constant	3,528	942	(762)	(1,362)

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.

Notes to the Consolidated Financial Report (continued)

35. Financial Instruments (Continued)

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

		2019 $'000	2018 $'000
Financial Assets			
Cash	(included within note 6)	21,095	10,204
Trade and other receivables	(included within note 9)	26,983	2,621
Financial Liabilities			
Trade and other payables	(included within note 17)	(2,719)	(716)
Net exposure		**45,359**	**12,109**

[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:

35. Financial Instruments (Continued)

CONSOLIDATED	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Non-interest bearing		Total carrying amount per balance sheet		Weighted Average Interest	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%	%
i) ***Financial assets***												
Cash	48,849	46,546	-	-	-	-	1	1	**48,850**	**46,547**	0.42	0.69
Term deposits	-	-	208,600	279,000	-	-	-	-	**208,600**	**279,000**	2.48	2.62
Subordinated notes	88,882	98,030	-	-	-	-	-	-	**88,882**	**98,030**	3.34	3.29
Financial assets held for trading	-	-	33,055	32,420	-	-	5,144	1,537	**38,199**	**33,957**	3.80	3.86
Trade and other receivables	-	-	-	-	-	-	34,640*	7,843	**34,640**	**7,843**	-	-
Derivative financial assets	-	-	-	-	-	-	36*	-	**36**	**-**	-	-
Total financial assets	**137,731**	**144,576**	**241,655**	**311,420**	**-**	**-**	**39,821**	**9,381**	**419,207**	**465,377**		
ii) ***Financial liabilities***												
Trade and other payables	-	-	-	-	-	-	55,194	42,078	**55,194**	**42,078**	-	-
Interest-bearing loans and borrowings	-	-	1,753	-	-	-	-	-	**1,753**	**-**	3.74	-
Derivative financial liabilities	-	-	-	-	-	-	6,042	325	**6,042**	**325**	-	-
Total financial liabilities	**-**	**-**	**1,753**	**-**	**-**	**-**	**61,236**	**42,403**	**62,989**	**42,403**		

* 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 2019 $'000	Net Profit 2018 $'000	Other Comprehensive Income 2019 $'000	Other Comprehensive Income 2018 $'000
• 0.25% increase in interest rate with all other variables held constant	622	748	-	-
• 0.25% decrease in interest rate with all other variables held constant	(622)	(748)	-	-

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 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 for each of its operations. 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.

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's exposure at balance date to the impact of movements in the iron ore price upon provisionally invoiced sales volumes is set out below:

Sensitivity at Balance Date	2019 $'000	2018 $'000
Ore Sales Revenue:		
- 10% increase in iron ore prices	2,395	3,839
- 10% decrease in iron ore prices	(2,395)	(3,839)

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 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.

35. Financial Instruments (Continued)

During the period, the Group entered into forward sales agreements covering six shipments totalling 420,000 tonnes of iron ore, with maturity dates spread over the period April 2019 to September 2019. The contracts were stated in US$ per dry metric tonne (**DMT**) and were cash settled against the average daily CFR benchmark price for 62% Fe fines ores for delivery to northern China. The average price of the forward contracts at each maturity date was between US$78 and US$90 per DMT. Movements in the market value of the forward sale contracts are taken to the income statement.

At balance date, the following iron ore forward sales contracts that have not been designated as hedges were outstanding:

	2019				2018			
	Tonnes	Average Price per Tonne US$	Fair Value US$ $'000	Fair Value A$ $'000	Tonnes	Average Price per Tonne US$	Fair Value US$ $'000	Fair Value A$ $'000
Maturing within:								
- 1 to 3 months	210,000	88	(4,239)	(6,039)	-	-	-	-
Total	**210,000**	**88**	**(4,239)**	**(6,039)**	**-**	**-**	**-**	**-**

The fair value of the forward sales contracts of $6,039,000 (2018: $nil) has been recognised in the statement of financial position as derivative financial liabilities (note 19).

[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 2019, the Group had unutilised performance bonding facilities totalling $12,913,000 (2018: $10,556,000). Refer note 18.

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 2019					30 June 2018				
	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	55,194	-	-	-	55,194	42,078	-	-	-	42,078
Interest-bearing loans and borrowings	1,764	-	-	-	1,764	-	-	-	-	-
Derivatives	6,042	-	-	-	6,042	325	-	-	-	325
	63,000	**-**	**-**	**-**	**63,000**	**42,403**	**-**	**-**	**-**	**42,403**

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 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 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 30 June 2019 and 30 June 2018 are shown below.

	Notes	2019 Carrying Amount $'000	2019 Fair Value $'000	2018 Carrying Amount $'000	2018 Fair Value $'000
Financial assets – current					
Cash	6	48,850	48,850	46,547	46,547
Term deposits	7	208,600	208,600	279,000	279,000
Subordinated notes	7	88,882	88,882	98,030	98,030
Financial assets held for trading	8	38,199	38,199	33,957	33,957
Trade debtors and other receivables	9	34,640	34,640	7,843	7,843
Derivatives	11	36	36	-	-
		419,207	419,207	465,377	465,377
Financial liabilities – current					
Trade and other payables	17	55,194	55,194	42,078	42,078
Interest-bearing loans and borrowings	18	1,753	1,753	-	-
Derivatives	19	6,042	6,042	325	325
		62,989	62,989	42,403	42,403
Net financial assets		**356,218**	**356,218**	**422,974**	**422,974**

Recognition and measurement

Accounting policy for financial assets applied from 1 July 2018

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 trade receivables (not subject to provisional pricing), other receivables and term deposits (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

	2019 $'000	2018 $'000
[a] Information relating to Mount Gibson Iron Limited:		
Current assets	11,013	11,055
Total assets	1,077,940	902,753
Current liabilities	270	218
Total liabilities	465,128	405,929
Issued capital	583,395	568,328
Issued capital – restricted shares under Loan Share Plan	1,750	1,501
Accumulated losses	(387,476)	(487,842)
Dividend distribution reserve	394,306	394,306
Share based payments reserve	20,837	20,531
Total Shareholder's Equity	612,812	496,824
Net profit after tax of the parent entity	133,177	99,700
Total comprehensive profit of the parent entity	133,177	99,700

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 18.

The parent entity has further provided bank guarantees in respect of obligations to various authorities. Refer to note 18.

[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 28. For information about guarantees given by the parent entity, refer [b] above.

Mount Gibson Iron Limited guarantees the performance of Mount Gibson Mining Limited's obligations to Aurizon entities under the rail Transport Agreement made on 26 June 2008 as amended and restated. In accordance with this agreement, Mount Gibson Mining Limited agrees to reimburse Aurizon for track access charges properly due and payable to Brookfield, the rail infrastructure owner.

[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.

37. New and Amended Accounting Standards and Interpretations

A. New and amended Accounting Standards and Interpretations adopted from 1 July 2018

Since 1 July 2018, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2018. Adoption of these standards and interpretations did not have a material effect on the financial position or performance of the Group.

The Group applies, for the first time, AASB 15 and AASB 9.

AASB 15

AASB 15 and its related amendments superseded AASB 118 *Revenue* (**AASB 118**) and related Interpretations and applies to all revenue arising from contracts with customers. AASB 15 requires revenue to be recognised when control of a good or service transfers to a customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group adopted AASB 15 using the modified retrospective method of adoption with an initial application date of 1 July 2018 and has not restated comparative information. The Group has applied AASB 15 to contracts that were not completed contracts at the date of initial application.

The effects of adopting AASB 15 are as follows:-

Iron ore sales

The Group derives revenue from the sale of iron ore. There were no changes identified with respect to the timing of revenue recognition in relation to iron ore sales as control transfers to customers at the date of loading/shipment which is consistent with the point in time when risks and rewards passed under AASB 118. Adjustments are made for variations in assay and weight between the time of dispatch of the ore and time of final settlement. The Group estimates the amount of consideration receivable using the expected value approach based on internal assays. Management considers that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur due to a variation in assay and weight.

There has been a change in the amount of revenue recognised for iron ore sold under Cost and Freight (**CFR**) Incoterms where the Group provides shipping services. This is because these services are now considered to represent a separate performance obligation which is satisfied at a different point in time from the iron ore. Therefore some of the transaction price that was previously allocated to the iron ore under AAB 118 is now allocated to this new performance obligation under AASB 15. This shipping revenue has been disclosed separately in the disaggregated revenue disclosures – see note 3.

Provisionally priced sales

Certain of the Group's sales are provisionally priced, where the final price depends on prices in a specified future period (index prices). Adjustments to the sales price occur based on movements in the index price up to the end of the quotational period (**QP**). Under previous accounting, provisionally priced sales were considered to contain an embedded derivative (**ED**) which was separated from the host contract from the date of shipment. Revenue was initially recognised for these arrangements at the date of shipment based on the estimated forward price that the entity expected to receive at the end of the QP determined at the date of shipment. Subsequent changes in the fair value of the ED were recognised in the Statement of Profit and Loss each period until the end of the QP, and were presented as part of revenue. The adoption of AASB 9 led to a change in the Group's accounting (refer below) as the related receivable will now be measured at fair value through profit and loss. Under AASB 15 the accounting for revenue will remain unchanged except that the fair value adjustments on receivables subject to QP are recognised in other revenue and not included in revenue from contracts with customers.

Shipping services

As noted above, a portion of the Group's iron ore sales are sold on CFR Incoterms, whereby the Group is responsible for providing freight and shipping services after the date that it transfers control of the iron ore to the customer. Under AASB 118, freight and shipping services were not accounted for as separate services. Instead all of the revenue relating to the sale was recognised at the date of loading and presented as revenue from sale of iron ore. Under AASB 15, it has been concluded that freight and shipping represents a separate performance obligation and that the Group acts as principal. As a result, a portion of the transaction price is now required to be allocated to this performance obligation and will be recognised over time on a gross basis as the services are provided. Given the nature of the Group's shipping profile, most of these services are completed in the same reporting period that control of the iron ore passes to the customer. The Group considered the deferral of revenue apportioned to the remaining sea voyages of vessels "in transit" to their destination ports as at the date of initial application of the standard and at balance date. At 30 June 2017 the Group had only two vessels in transit. As the corresponding shipping freight cost would also be deferred, the impact at the date of initial application of the Standard was not material.

Impact on the financial statements

The Group assessed all enforceable offtake agreements and as discussed above, it was determined that the adoption of AASB 15 did not have a significant impact on the Group at the date of initial application of the Standard. The impact of adopting AASB 15 on the financial statements at 30 June 2019 is as follows:

- Revenue from contracts with customers is now split between sale of iron ore ($213,396,000) and freight/shipping services ($45,621,000) as they each represent separate performance obligations.
- Revenue from quotation period price adjustments ($26,427,000) is now presented separately from revenue from contracts with customers as the provisionally priced trade debtors are measured at fair value through profit or loss given the exposure to commodity price variations. The trade debtors at 30 June 2019 which are subject to QP price adjustments are disclosed as trade debtors at fair value through profit or loss ($26,983,000).

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AASB 9

AASB 9 replaces parts of AASB *139 Financial Instruments: Recognition and Measurement* (**AASB 139**) and brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied AASB 9 retrospectively with the initial application date being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative information has not been restated.

The effects of adopting AASB 9 are as follows:

Classification and measurement

Under AASB 9, there has been a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial asset: loans and receivables, fair value through profit and loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit and loss (**FVTPL**) or fair value through other comprehensive income (**FVTOCI**). For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' and the principal amount outstanding (the 'SPPI criterion').

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The Group has determined the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Financial instruments	Classification under AASB 132	Classification under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Term deposits	Loans and receivables	Financial assets at amortised cost
Subordinated notes	Available for sale financial asset	Financial assets at FVTOCI
Trade receivables (subject to a QP adjustment)	Host - Loans and receivables ED – at fair value through profit and loss	Financial asset at FVTPL ^
Other receivables	Loans and receivables	Financial assets at amortised cost
Tradeable corporate bonds	FVTPL financial assets	Financial assets at FVTPL
Investment in listed equity shares	FVTPL financial assets	Equity financial assets at FVTPL
Derivative liabilities	Financial liabilities at fair value	Financial liabilities at fair value
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost

^ Prior to the adoption of AASB 9, the exposure of provisionally priced sales to price movements over the QP, previously led to an embedded derivative (QP derivative) being separated from the host trade receivable and accounted for separately. The QP derivative was not material at 1 July 2018. Under AASB 9, embedded derivatives are no longer separated from financial assets. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement.

The change in classification of financial instruments has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (**ECL**) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. As at 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment. With respect to the Group's term deposits and subordinated notes at 30 June 2018, no material adjustments were required on adoption of the ECL approach. These balances were assessed as having low probability of default as they are held with reputable financial institutions with high credit ratings. Other receivables which the Group measures at amortised cost (i.e. receivables not subject to QP adjustment) are short term and the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements under AASB 139.

Hedging

The Group elected to continue to apply the hedge accounting requirements of AASB 139. The adoption of AASB 9 has therefore had no impact on the Group's hedge accounting.

Notes to the Consolidated Financial Report (continued)

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, have not been adopted by the Group for the period ended 30 June 2019 are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 16	Leases	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The depreciation of the right-of-use asset and interest on the lease liability will be recognised in the consolidated income statement. *Transition to AASB 16* The Group plans to adopt the modified retrospective approach on transition with the initial date of application being 1 July 2019. The lease liability will be measured at the present value of future lease payments, discounted using the incremental borrowing rate for the Group at the date of transition. Using this approach, the right-of-use asset will be set to equal the lease liability. Prior period comparative financial statements are not required to be restated under this transition method. The Group has reviewed and implemented changes to its contracting process and system to ensure ongoing compliance with AASB 16. The Group has progressed with its impact assessment of AASB 16 and estimates an impact of at least $19,000,000, being an increase to both non-current assets (right-of-use assets) and liabilities (lease liabilities) on its consolidated statement of financial position on the initial date of application. The Group continues to assess the impact of a few other contracts on transition. The leases recognised by the Group under AASB 16 predominantly relate to mining equipment, contractor-provided equipment and office premises. Adoption of AASB 16 is expected to result in lower operating costs and higher finance and depreciation costs as the accounting profile of the lease payments changes under the new model.	1 January 2019	1 July 2019
AASB 2017-6	Amendments to Australian Accounting Standards-Prepayment Features with Negative Compensation	This Standard amends AASB 9 *Financial Instruments* to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principle and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	1 January 2019	1 July 2019
AASB 2018-1	Annual Improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: ► AASB 3 *Business Combinations* and AASB 11 Joint Arrangements – previously held interest in a joint operation ► AASB 112 *Income Taxes* – income tax consequences of payments on in financial instruments classified as equity ► AASB 123 *Borrowing Cost* – borrowing costs eligible for capitalisation.	1 January 2019	1 July 2019

Reference	Title	Summary	Application date of standard	Application date for Group
AASB Int 23, and relevant amending standards	Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognitions and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: ► Whether an entity considers uncertain tax treatments separately ► The assumptions an entity makes about the examination of tax treatments by taxation authorities ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ► How an entity considers changes in facts and circumstances.	1 January 2019	1 July 2019
Conceptual Framework AASB 2019-1	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: ► Chapter 1 – The objective of financial reporting ► Chapter 2 – Qualitative characteristics of useful financial information ► Chapter 3 – Financial statements and the reporting entity ► Chapter 4 – The elements of financial statements ► Chapter 5 – Recognition and derecognition ► Chapter 6 – Measurement ► Chapter 7 – Presentation and disclosure ► Chapter 8 – Concepts of capital and capital maintenance AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.	1 January 2020	1 July 2020
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	The Standard amends the definition of a business in AASB 3 Business Combinations. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	1 January 2020	1 July 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	1 July 2020

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, except for AASB 16.

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 2019 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 2019.

Signed in accordance with a resolution of the directors.

Lee Seng Hui

LEE SENG HUI
Chairman

Sydney, 20 August 2019

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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 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2019 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 (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.

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 each matter below, our description of how our audit addressed the 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.

Building a better working world

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 2019 the Group's consolidated balance sheet includes provisions of $49.1 million (including the road resealing provision) in respect of these obligations (refer to Note 20). We considered this to be a key audit matter because estimating the costs associated with these future activities requires judgment and estimation of 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. Our audit procedures included the following: ► We involved our rehabilitation specialists to assess the objectivity, qualifications and competence of the Group's external experts whose work formed the basis of the Group's cost estimate. ► Assessed the reasonableness of the timing of the rehabilitation cashflows and the resultant inflation and discount rate assumptions used in the Group's cost 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 and considered the treatment applied to changes in the rehabilitation and restoration provision.

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2. Impairment assessment for the Koolan Island Cash Generating Unit

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 2019 was $216.7 million. Of this total amount $215.5 million related to the Koolan Island Cash Generating Unit ("CGU"). The Group assessed whether any indicators of impairment were present at 30 June 2019 and concluded that an impairment reversal indicator was present in respect of the Koolan Island CGU. Accordingly, the Group performed an impairment reversal assessment for the Koolan Island CGU at 30 June 2019 and based on this assessment concluded that an impairment reversal was not required (refer to Note 16). We considered this to be a key audit matter because of the: ► Significant judgment involved in determining if there was an indicator that an impairment loss recognised in prior periods may either need to be reversed in full or in part or whether further impairment was required. ► Significant judgment and estimates involved in the determination of the recoverable amount of the Koolan Island CGU 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 resultant recoverable value determination for the Koolan Island CGU. Our audit procedures included the following: ► Evaluated the assumptions and methodologies used by the Group, in particular, those relating to forecast cash flows and inputs used to formulate them. This included assessing, with involvement from our valuation specialists, where appropriate, the foreign exchange rates and iron ore prices with reference to market prices (where available), market research, market practice, market indices, broker consensus, historical performance and the discount rate. ► Tested the mathematical accuracy of the Group's discounted cash flow impairment model and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the Group's feasibility analysis of the project 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 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 with respect to their impairment reversal assessment for the Koolan Island CGU.

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3. Accounting for previously unrecognised deferred tax assets

Why significant	How our audit addressed the key audit matter
As set out in Note 5 of the financial report, the Group has deferred tax assets of $62.9 million as at 30 June 2019 on the basis they consider it probable the Group will derive sufficient taxable income in the future to recoup the recognised tax assets. We considered this to be a key audit matter because the determination of the probability of the Group deriving taxable income in the future to recoup the deferred tax assets recognised is highly judgmental. This is subject to numerous assumptions around the future profitability of the Group's mining assets, which in turn is primarily dependent upon assumptions including future production levels, iron ore prices and exchange rates, operating and capital development costs.	We evaluated the appropriateness of the Group's assessment of the probability of the Group deriving assessable income in the future to recoup the previously unrecognised deferred tax assets, recognised at 30 June 2019. We involved our tax specialists in the assessment of the Group's tax positions, including the judgments made and estimates used. We considered the appropriateness of the Directors' assumptions, estimates and analysis in relation to the Group's future tax position having regard to the status of the Group's operations at 30 June 2019, the impairment reversal assessment undertaken for the Koolan Island CGU and the recent financial performance of the Group. We evaluated the adequacy of the Group's disclosures relating to deferred tax assets in the 30 June 2019 financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2019 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, related safeguards.

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 2019.

In our opinion, the Remuneration Report of Mount Gibson Iron Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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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

Gavin Buckingham

Gavin Buckingham
Partner
Perth
20 August 2019