APPENDIX 4D

MOUNT GIBSON IRON LIMITED
31 DECEMBER 2019 HALF-YEAR FINANCIAL STATEMENTS

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

Current Reporting Period:	Half-Year ended 31 December 2019
Previous Corresponding Period:	Half-Year ended 31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A$ million
Revenue from ordinary activities	Up 41% to	$258.1
Profit from continuing operations before tax	Up 42% to	$64.2
Net profit after tax attributable to members of the Company	Down 1% to	$44.6

DIVIDENDS

No interim dividend has been declared for the half-year ended 31 December 2019. As in recent years, the Board continues to assess dividends on an annual basis based on the Company's results for the full financial year.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2019	31 December 2018
Net tangible assets	*A$ mill*	$631.5	$523.5
Fully paid ordinary shares on issue at balance date	*#*	1,157,682,542	1,128,369,730
Net tangible asset backing per issued ordinary share as at balance date	*c/share*	54.5	46.4

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

None.

STATUS OF AUDIT

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

NOTICE

It is recommended that the Half-Year Report be read in conjunction with Mount Gibson's Annual Financial Report for the year ended 30 June 2019 and any public announcements made by Mount Gibson during and after the half-year year ended 31 December 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

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

Financial Report

For the half-year ended 31 December 2019

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2019 for the Group incorporating Mount Gibson Iron Limited ("**Company**" or "**Mount Gibson**") and the entities that it controlled during the half-year ("**Group**").

CURRENCY

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

DIRECTORS

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

Lee Seng Hui	*Chairman, Non-Executive Director*
Simon Bird	*Lead Independent Non-Executive Director*
Alan Jones	*Independent Non-Executive Director*
Russell Barwick	*Independent Non-Executive Director*
Paul Dougas	*Independent Non-Executive Director*
Ding Rucai	*Non-Executive Director (appointed 12 December 2019)*
Li Shaofeng	*Non-Executive Director (resigned 12 December 2019)*
Andrew Ferguson	*Alternate Director to Lee Seng Hui*

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

CORPORATE INFORMATION

Corporate Structure

Mount Gibson is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity of the Group and has prepared a consolidated half-year financial report incorporating the entities that it controlled during the half-year.

Nature of Operations and Principal Activities

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

- 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;
- 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.

OPERATING AND FINANCIAL REVIEW

Overview of the Half-Year Period

The Group's financial result for the half-year ended 31 December 2019 was a net profit after tax of $44,641,000 compared with $45,083,000 in the prior corresponding half year. On a pre-tax basis, the Group realised a net profit before tax from continuing operations of $64,193,000 for the half-year compared with $45,239,000 in the prior corresponding half year period. This reflected continued strong iron ore pricing, the ramp up of ore production and sales volumes from the high grade Koolan Island mine in the Kimberley region, opportunistic sales of remnant low grade material stockpiled at the closed Extension Hill mine in the Mid-West, and receipt of the first biannual partial-refund of historical rail access charges relating to third party usage of the Perenjori to Geraldton railway line.

At the beginning of the half-year, the Platts Index for delivery of 62% Fe iron ore fines to northern China was approximately US$121 per dry metric tonne ("**dmt**") and, after peaking at around US$126/dmt in early July 2019, finished the period at just under US$92/dmt, with an average for the half-year of US$95/dmt. Over the same period, the A$/US$ exchange rate traded between A$1.00/US$0.67 and US$0.71, with an average for the half-year of US$0.685. The average in the prior corresponding half year was $US0.725.

Group ore sales for the half-year totalled 2.8 million wet metric tonnes ("**Mwmt**") with sales revenue totalling $254,132,000 and comprising $230,146,000 Free On Board ("**FOB**") revenues and $23,986,000 in shipping freight services. Mount Gibson achieved an average realised price for Koolan Island high grade iron ore fines product for the half-year of US$83/dmt FOB after grade and provisional pricing adjustments and penalties for impurities. Remnant low grade material sold from the Mid-West realised an average price of US$28/dmt FOB for fines and US$35/dmt FOB for lump. The weighted average realised price received (including provisional pricing adjustments and net foreign exchange hedging gains) for all products sold was $83/wmt FOB in the half-year period, compared with $73/wmt FOB in the 2018/19 financial year during which standard direct-shipping-grade ore (DSO) from the now completed Iron Hill Deposit in the Mid-West accounted for the majority of ore sales.

Cash reserves, including term deposits and tradeable investments, increased by $13,325,000 over the half-year to a total of $397,856,000 as at 31 December 2019.

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2019 are tabulated below.

Consolidated Group		31 December 2019 $'000	31 December 2018 $'000
Net profit before tax from continuing and discontinued operations	*$'000*	**63,987**	**45,083**
Tax expense	*$'000*	(19,346)	-
Net profit after tax attributable to members of the Company	*$'000*	**44,641**	**45,083**
Earnings per share	*cents/share*	3.92	4.08

The Group recorded a tax expense in the half year period (no tax expense in the prior corresponding period) reflecting the recognition of deferred tax assets as at 30 June 2019 and the anticipated return of the Group to a tax paying position within the next couple of years, subject to commodity prices and operational performance.

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

Consolidated Group	Unit	Sept Quarter 2019	Dec Quarter 2019	Dec Half-Year 2019	Dec Half-Year 2018
Mining and crushing					
Total waste mined	*kwmt*	2,985	3,276	**6,261**	**2,702**
Total ore mined#	*kwmt*	651	763	**1,414**	**1,891**
Total ore crushed	*kwmt*	1,543	1,416	**2,959**	**2,032**
Shipping/sales					
Standard DSO Lump	*kwmt*	-	-	**-**	**1,081**
Standard DSO Fines	*kwmt*	664	733	**1,397**	**1,080**
Low grade DSO Lump	*kwmt*	473	478	**951**	**-**
Low grade DSO Fines	*kwmt*	238	172	**410**	**-**
Total	*kwmt*	1,375	1,382	**2,757**	**2,161**
Average Platts 62% Fe CFR northern China price	*US$/dmt*	102	89	95	69
MGX Free on Board (FOB) average realised fines price – Koolan Island*	*US$/dmt*	95	73	83	-
MGX Free on Board (FOB) average realised lump price – Mid-West^	*US$/dmt*	35	35	35	62
MGX Free on Board (FOB) average realised fines price – Mid-West^	*US$/dmt*	29	26	28	34

kwmt = thousand wet metric tonnes

US$/dmt = USD per dry metric tonne

The December 2018 comparative includes 176,000 wmt of low-grade ore at Extension Hill grading 50-55% Fe that 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 December 2019 half year comprised only shipments of low grade cargoes.

* Reflects the realised 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 Hematite Operations

The Koolan Island mine continued its operational ramp-up during the December 2019 half-year, following the successful attainment of commercial production in June 2019.

The mine generated earnings before interest and tax of $56,855,000 in the half year reflecting the ramp-up of ore sales and continued strong pricing and demand for Koolan Island's high grade iron ore products.

Refurbishment of the island-side Main Pit footwall (depressurisation drilling, cable bolting, shotcreting and installation of safety mesh) continues to proceed well. Seawall instrumentation and monitoring data also continues to demonstrate that the seawall, which incorporates the installed impermeable seepage barrier and has been under full tidal loads for over one year, is performing to design expectations.

Ore extraction in the Main Pit progressively improved over the half year, although mining remained congested within the central zone orebody and was also adversely impacted by natural groundwater flows. Additional dewatering sumps, bores and in-pit pumping systems have helped to improve Main Pit groundwater management, mining conditions and productivity. Total material movement (waste and ore) subsequently increased almost 11% in the December quarter from the preceding quarter, while ore production increased 17% quarter on quarter.

Ore production and sales totalled 1.4 Mwmt in the six month period with the iron grade of ore shipments averaging 65.9% Fe. Significantly, ore sales in the December quarter increased by 10% to 0.73 Mwmt despite the failure of the main overland ore conveyor belt to the shiploader in October 2019. This required procurement and installation of a replacement belt and suspension of shipping until late in the month, although mining and crushing continued during this period. The shiploading facilities operated efficiently following the belt repair and, after only one shipment was completed in October, five shipments were completed in November and four in December which was consistent with the targeted rate of four shipments per month.

Reflective of the ramp-up schedule, mining constraints in Main Pit and the shipping interruption in October, the average cost of sales was $78/wmt FOB for the half year. Site unit cash costs are projected to reduce as mining productivity and sales volumes increase and the waste/ore strip ratio declines over the life of the mine.

Subsequent to period-end, operations were temporarily interrupted by extreme weather conditions associated with Tropical Cyclone Blake in early January 2020, which restricted mining and shipping activity until month end. However, ore sales guidance for Koolan Island remains unchanged for the 2019/20 financial year, subject to no further major adverse weather interruptions.

Infrastructure Investment - Airstrip

Personnel and lightweight supplies are presently flown onto Koolan Island via small charter aircraft. These flight movements can be impacted by poor weather, in particular in the northern Australian wet season, and operational performance suffers as a result. Consequently, Mount Gibson has investigated the potential to construct a new larger all-weather airstrip in the centre of the Island and is proceeding with construction activities now that regulatory approvals have been obtained.

The new 2.1 kilometre-long sealed airstrip is expected to deliver significant safety and efficiency benefits to the operation by enabling direct flights by commercial jet aircraft from Perth. This will reduce average transit times for Perth-based employees, helping reduce fatigue and improve general employment conditions. It will also deliver operating cost benefits over the life of the operation. Regular charter flights to/from Broome and Derby will continue to be maintained to accommodate the approximate 20% of the site workforce residing in the local region.

Mount Gibson anticipates the airstrip will cost circa $20 million to construct and commission. Preparatory earthworks have commenced, and construction is targeted for completion at the end of the September 2020 quarter.

Production statistics for the December 2019 half-year are tabulated below:

Koolan Island Production Summary	**Unit**	**Sept Quarter 2019 '000**	**Dec Quarter 2019 '000**	**Dec Half-Year 2019 '000**	**Dec Half-Year 2018 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	2,985	3,276	**6,261**	**2,450**	*156*
Standard ore mined	*wmt*	651	763	**1,414**	**-**	-
Crushing						
Lump	*wmt*	190	199	**389**	**-**	-
Fines	*wmt*	472	523	**994**	**-**	-
		661	**722**	**1,383**	**-**	**-**
Shipping/Sales						
Lump	*wmt*	-	-	**-**	**-**	-
Fines	*wmt*	664	733	**1,397**	-	-
		664	**733**	**1,397**	**-**	**-**

Extension Hill Hematite Operations

Final DSO sales from the Iron Hill deposit at Extension Hill were completed in February 2019 but, as previously reported, renewed market interest in lower grade material enabled Mount Gibson in June 2019 to commence shipments of historically uneconomic stockpiled low grade material from the Extension Hill mine site. Cashflow from the program is modest but these sales assist in final site rehabilitation works.

Sales of low grade remnant material (51-54% Fe) from Extension Hill were conducted on a fixed price basis and achieved an average realised price of US$28/dmt FOB for fines and US$35/dmt FOB for lump ore during the six month period.

Total sales for the half-year were 1.36 Mwmt, exceeding the initial low grade campaign target of 1.0 Mwmt.

The average cost of sales was $38/wmt in the half-year, compared with $61/wmt in the prior corresponding half-year period. The operation generated earnings before interest and tax of $12,649,000 in the period.

Strong market conditions have enabled Mount Gibson to confirm an extension of the low grade sales programme until the end of April 2020. Potential exists for a further extension of the programme should prices and demand for this type of material remain supportive.

Production and shipping statistics for the December 2019 half-year are tabulated below:

Extension Hill Production Summary	**Unit**	**Sept Quarter 2019 '000**	**Dec Quarter 2019 '000**	**Dec Half-Year 2019 '000**	**Dec Half-Year 2018 '000**	***% incr / (decr)***
Mining						
Waste mined	*wmt*	-	-	**-**	**252**	*(100)*
Standard ore mined	*wmt*	-	-	**-**	**1,715**	*(100)*
Low grade ore mined*	*wmt*	-	-	**-**	**176**	*(100)*
Total ore mined	*wmt*	**-**	**-**	**-**	**1,891**	***(100)***
Crushing						
Lump	*wmt*	564	428	**992**	**1,077**	*(8)*
Fines	*wmt*	318	266	**584**	**955**	*(39)*
		882	**694**	**1,576**	**2,032**	***(22)***
Transported to Perenjori Railhead						
Lump	*wmt*	516	470	**986**	**1,035**	*(5)*
Fines	*wmt*	201	271	**472**	**967**	*(51)*
		717	**741**	**1,458**	**2,002**	***(27)***
Transported to Geraldton Port						
Lump	*wmt*	488	427	**915**	**1,048**	*(13)*
Fines	*wmt*	201	212	**413**	**1,025**	*(60)*
		689	**639**	**1,328**	**2,073**	***(36)***
Shipping/Sales						
Lump	*wmt*	-	-	**-**	**1,081**	*(100)*
Fines	*wmt*	-	-	**-**	**1,080**	*(100)*
Low grade lump	*wmt*	473	478	**951**	**-**	-
Low grade fines	*wmt*	238	172	**410**	**-**	-
		711	**649**	**1,360**	**2,161**	***(37)***

* Low grade ore is material grading 50-55% Fe and which is considered saleable. This material mined in the December 2018 half-year was stockpiled for future sale but treated as waste for accounting purposes.

Minor discrepancies may appear due to rounding.

Financial Position

The Group's cash, term deposit and tradeable investment balances totalled $397,856,000 as at 31 December 2019, an increase of $13,325,000 over the half-year from the balance of $384,531,000 as at 30 June 2019. The movement comprised a positive underlying operating cashflow (including head office administration, capital expenditure and working capital movements) of $35,126,000, interest received of $4,579,000 and payment of the $26,380,000 cash component of the fully franked final dividend to shareholders for the 2018/19 financial year.

As at the balance date, the Group's current assets totalled $454,000,000 and its current liabilities totalled $74,444,000 (including $6,728,000 current lease liabilities as a result of adopting AASB 16 *Leases*). Accordingly, as at the date of this report, the Group has sufficient funds, as well as access to further equity and debt sources, to operate and sell iron ore from its operations and to advance its growth objectives.

Derivatives

As at 31 December 2019, the Group held foreign exchange collar option contracts covering the conversion of US$15,000,000 into Australian dollars over the period January to April 2020 and with an average cap price of A$1.00/US$0.6970 and an average floor price of A$1.00/US$0.6612. These collar contracts had a marked-to-market unrealised net gain at balance date of $328,000.

Extension Hill Rail Refund/Credit Receivable

Following achievement of a contractual rail volume threshold at Extension Hill during the 2017/18 financial year, the Group has an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, Arc Infrastructure, based upon the future usage by certain third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commenced upon termination of the Group's then existing rail agreements in early 2019, and is calculated at various volume-related rates, and capped at a total of approximately $35 million (subject to indexation) and a time limit expiring in 2031. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. The entitlement is currently accruing as a receivable at a rate of approximately $2.0 million per quarter, with payments due every six months. Mount Gibson received the first six-monthly payment, totalling $3,961,000, in September 2019.

Director and Executive Management Appointments

In October 2019, Mount Gibson announced the appointment of Mr Mark Mitchell as the Company's Chief Operating Officer, following the retirement of long-serving senior operational executive Mr Scott de Kruijff from the role.

In December 2019, the Company announced the appointment of Mr Ding Rucai as a Non-Executive Director of Mount Gibson as the new representative of Shougang Fushan Resources Group, the Company's second largest 14.1% shareholder. Mr Ding succeeded Mr Li Shaofeng, who stepped down from the Board after almost 8 years' service as a Non-Executive Director of the Company to pursue other personal business interests.

Likely Developments and Expected Results

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

The Board's corporate objective is to grow the Company's cash reserves and to 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:

- **Koolan Island** – continue the ramp-up of ore production and sales in line with the mine plan to maximise cashflow and capitalise on favourable market conditions, and progress the airstrip development to enable direct flights in the second half of 2020.
- **Extension Hill** – complete the contracted program of low grade sales and seek further extension opportunities should favourable market prices continue, and thereafter transition the site to final closure.
- **Cost reductions** - continue to drive sustainable cost improvements across the existing business.
- **Treasury returns** – maintain the yield on the Group's cash and investment reserves.
- **Growth projects** – continue the evaluation of acquisition opportunities in the resources sector.

Koolan Island Outlook

Mount Gibson expects to continue the operational ramp-up at Koolan Island over the remainder of the 2019/20 financial year, consistent with the mine plan. As noted, operations were interrupted by extreme cyclone-related weather in January 2020, but subject to no further major weather impacts, ore sales volume guidance for the current financial year remains unchanged. The Company also plans to progress work on the new all-weather airstrip toward its target of commencing direct jet flights to and from Perth in the second half of calendar 2020.

Extension Hill Outlook

Continued strong prevailing prices and demand have enabled the Company to confirm an extension of sales from low grade stockpiles at Extension Hill until the end of April 2020. Potential remains for a further extension of sales should prices and demand for this type of material remain supportive, given the levels of remnant material remaining on site. On completion of the low grade sales program, the site will transition to final closure. Given site closure and rehabilitation activities completed to date, the Mid-West closure provision has reduced to $9,973,000 at 31 December 2019, compared with $11,636,000 in the corresponding prior period.

Group Sales Guidance and Cash Costs Guidance

Mount Gibson expects total iron ore sales for the 2019/20 financial year of 4.8–5.3 Mwmt, following extension of the low grade sales program from the Mid-West, at an average group cash cost of $70-75/wmt FOB.

Within this, Koolan Island sales guidance remains unchanged at 2.7–3.0 Mwmt of high grade DSO, with site cash costs of $77-82/wmt FOB reflecting performance to date, the impact of wet season rains and all waste stripping activity which is highest in the first two years of the mine life. The Mid-West is expected to contribute sales of 2.1-2.3 Mwmt of low grade material at a cash cost of $40-45/wmt FOB (unchanged). Group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs. Site cash costs are reported FOB and include royalties, sustaining capital expenditure and corporate cost allocations.

DIVIDENDS

During the half-year, a final dividend of $0.04 per share fully franked ($45,203,000) in respect of the 2018/19 financial year was distributed by way of $26,380,000 in cash and the issue of 27,607,012 new shares under the Company's Dividend Reinvestment Plan.

No interim dividend has been declared for the half-year ended 31 December 2019. As in recent years, the Board continues to assess dividends on an annual basis based on the Company's results for the full financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the Directors received the attached independence declaration from the auditor of the Company on page 8, which forms part of this report.

Signed in accordance with a resolution of the Directors.

Lee Seng Hui
Chairman
18 February 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

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

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
18 February 2020

Interim Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
CONTINUING OPERATIONS			
Revenue	3[a]	254,132	177,374
Interest revenue	3[b]	3,923	5,907
TOTAL REVENUE		**258,055**	**183,281**
Cost of sales	4[a]	(189,517)	(132,134)
GROSS PROFIT		**68,538**	**51,147**
Other income	3[c]	4,782	1,384
Administration and other expenses	4[c]	(8,279)	(6,516)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		**65,041**	**46,015**
Finance costs	4[b]	(848)	(776)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**64,193**	**45,239**
Tax expense	5	(19,408)	-
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**44,785**	**45,239**
DISCONTINUED OPERATIONS			
Loss after tax for the period from discontinued operations	18[a]	(144)	(156)
PROFIT FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**44,641**	**45,083**
Earnings per share (cents per share)			
▪ basic earnings per share		3.92	4.08
▪ diluted earnings per share		3.91	4.06
Earnings per share (cents per share) for continuing operations			
▪ basic earnings per share		3.93	4.10
▪ diluted earnings per share		3.93	4.07

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2019

	31 December 2019 $'000	31 December 2018 $'000
PROFIT FOR THE PERIOD AFTER TAX	**44,641**	**45,083**
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	205	179
Change in fair value of financial assets designated at fair value through other comprehensive income	(4)	(411)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**201**	**(232)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**44,842**	**44,851**

Interim Consolidated Statement of Financial Position

	Notes	31 December 2019 $'000	30 June 2019 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	78,737	48,850
Term deposits and subordinated notes	7	280,477	297,482
Financial assets held for trading	8	38,642	38,199
Trade and other receivables	9	27,861	34,640
Inventories	10	20,507	24,289
Prepayments		7,448	4,198
Derivative financial assets		328	36
TOTAL CURRENT ASSETS		**454,000**	**447,694**
NON-CURRENT ASSETS			
Property, plant and equipment	11	32,116	21,717
Right-of-use assets		15,427	-
Mine properties	12	212,058	194,994
Prepayments		1,709	1,929
Deferred tax assets		43,558	62,907
TOTAL NON-CURRENT ASSETS		**304,868**	**281,547**
TOTAL ASSETS		**758,868**	**729,241**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		58,507	55,194
Employee benefits		3,722	3,495
Interest-bearing loans and borrowings	14	6,728	1,753
Derivative financial liabilities		-	6,042
Provisions		5,487	6,659
TOTAL CURRENT LIABILITIES		**74,444**	**73,143**
NON-CURRENT LIABILITIES			
Employee benefits		222	283
Interest-bearing loans and borrowings	14	8,833	-
Provisions		43,875	43,003
TOTAL NON-CURRENT LIABILITIES		**52,930**	**43,286**
TOTAL LIABILITIES		**127,374**	**116,429**
NET ASSETS		**631,494**	**612,812**
EQUITY			
Issued capital	15	602,030	583,395
Accumulated losses		(908,709)	(953,350)
Reserves		938,173	982,767
TOTAL EQUITY		**631,494**	**612,812**

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	Notes	31 December 2019 $'000	31 December 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		254,833	173,332
Proceeds from rail credit		3,961	-
Payments to suppliers and employees		(191,879)	(118,329)
Interest paid		(467)	(236)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		**66,448**	**54,767**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,579	6,018
Proceeds from sale of property, plant and equipment		156	80
Purchase of property, plant and equipment		(13,282)	(10,574)
Payment (for)/from term deposits		20,000	26,000
Proceeds from sale of subordinated notes		-	12,000
Payment for subordinated notes		(3,000)	(9,974)
Proceeds from sale of financial assets held for trading		6,396	7,248
Payment for financial assets held for trading		(8,217)	(8,979)
Payment for deferred exploration and evaluation expenditure		(41)	(135)
Payment for mine development		(10,500)	(57,367)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,909)**	**(35,683)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(3,278)	-
Repayment of insurance premium funding		(1,753)	-
Payment of borrowing costs		(100)	(56)
Dividends paid		(26,380)	(18,347)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(31,511)**	**(18,403)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		31,028	681
Net foreign exchange difference		(1,141)	230
Cash and cash equivalents at beginning of period		48,850	46,547
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**78,737**	**47,458**

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

	Issued Capital $'000	Accumulated Losses $'000	Share Based Payments Reserve $'000	Net Unrealised Gains / (Losses) Reserve $'000	Dividend Distribution Reserve $'000	Other Reserves $'000	Total Equity $'000
	Attributable to Equity Holders of the Parent						
At 1 July 2018	**568,328**	**(1,053,908)**	**20,531**	**803**	**964,262**	**(3,192)**	**496,824**
Profit for the period	-	45,083	-	-	-	-	**45,083**
Other comprehensive income	-	-	-	(232)	-	-	**(232)**
Total comprehensive income for the period	**-**	**45,083**	**-**	**(232)**	**-**	**-**	**44,851**
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**
Share-based payments	-	-	153	-	-	-	**153**
At 31 December 2018	**582,792**	**(1,041,636)**	**20,684**	**571**	**964,262**	**(3,192)**	**523,481**
At 1 July 2019	**583,395**	**(953,350)**	**20,837**	**860**	**964,262**	**(3,192)**	**612,812**
Profit for the period	-	44,641	-	-	-	-	**44,641**
Other comprehensive income	-	-	-	201	-	-	**201**
Total comprehensive income for the period	**-**	**44,641**	**-**	**201**	**-**	**-**	**44,842**
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	(45,203)	-	**(45,203)**
- After tax dividends netted off against loan-funded shares	-	-	-	-	188	-	**188**
- Shares issued under DRP	18,635	-	-	-	-	-	**18,635**
Share-based payments	-	-	220	-	-	-	**220**
At 31 December 2019	**602,030**	**(908,709)**	**21,057**	**1,061**	**919,247**	**(3,192)**	**631,494**

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2019

1. Corporate Information

The consolidated financial report of the Group, comprising the Company and the entities that it controlled during the half-year ended 31 December 2019, was authorised for issue in accordance with a resolution of the Directors on 18 February 2020.

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

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

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

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* The half-year financial report:

- does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report;
- should be read in conjunction with the Annual Financial Report of Mount Gibson Iron Limited for the year ended 30 June 2019. It is also recommended that the half-year financial report be considered together with any public announcements made by Mount Gibson during and subsequent to the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules;
- has been prepared on a historical cost basis, except for derivatives and certain financial assets measured at fair value; and
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under Australian Securities and Investment Commission ("**ASIC**") Instrument 2016/191. The Company is an entity to which the Instrument applies.

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

2.2 New standards, interpretations and amendments adopted by the Group

Since 1 July 2019, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2019. 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 2019, except for the adoption of new standards and interpretations as of 1 July 2019. The Group adopted AASB 16 *Leases* ("AASB 16") and AASB Interpretation 23 *Uncertainty Over Income Tax Treatments* ("**Interpretation 23**") with the date of initial application of 1 July 2019. The impact of these are disclosed in more detail below.

(a) Nature of the effect of adoption of AASB 16

The Group applied the modified retrospective transition method to adopt AASB 16 and thus prior comparatives were not restated. Under this method, the cumulative effect of initially applying the standard is recognised directly as an adjustment to equity at the date of initial application, 1 July 2019. The Group elected to use the recognition exemptions for lease contracts that have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets') (ie. below US$5,000).

The Group has lease contracts for various items of plant, machinery and other equipment. Prior to the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Prior to the date of initial application of AAB 16, the Group did not have any finance leases recognised. All leases for plant, machinery, other equipment and leased property were classified as operating leases. Operating leases were not capitalised and the lease payments were recognised as rent expense in the profit or loss on a straight-line basis over the lease term.

On adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Group has elected to present right-of-use assets separately and lease liabilities as part of interest-bearing liabilities in the statement of financial position. On transition, the right-of-use assets were recognised based on an amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted-average discount rate applied was 3.25%.

The Group also applied the available practical expedients wherein it excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Notes to the Half-Year Financial Report

The impact on operating cash flows is the removal of the payments for operating lease costs incurred (previously under AASB 117 *Leases*), which were either expensed through operating costs or capitalised to non-current assets, except for cash flows relating to variable, short-term and low-value payments.

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$'000
Assets	
Non-current : Right-of-use assets	18,839
Total assets	**18,839**
Liabilities	
Current : Interest-bearing loans and borrowings	6,610
Non-current : Interest-bearing loans and borrowings	12,229
Total liabilities	**18,839**

(i) Reconciliation of operating lease commitments

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Operating lease commitments as at 30 June 2019	**24,094**
Weighted average incremental borrowing rate as at 1 July 2019	3.25%
Discounted operating lease commitments as at 1 July 2019	23,017
Less:	
Commitments relating to short-term leases	(1,704)
Commitments relating to leases of low-value assets	(218)
Commitments relating to variable leases	(2,256)
Lease liabilities as at 1 July 2019	18,839

(ii) Amounts recognised in the statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets			
	Plant and Equipment $'000	Leased Property $'000	Total $'000	Lease Liabilities $'000
Recognised at 1 July 2019 on adoption of AASB 16	17,084	1,755	18,839	18,839
Additions	-	-	-	-
Depreciation expense	(3,119)	(293)	(3,412)	-
Interest expense	-	-	-	284
Payments	-	-	-	(3,562)
As at 31 December 2019	13,965	1,462	15,427	15,561

Notes to the Half-Year Financial Report

(iii) Summary of new accounting policies for leases (applied from 1 July 2019)

Below are the new accounting policies of the Group upon adoption of AAB 16 which have been applied from the date of initial application:

Leases

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

(b) Nature of the effect of adoption of Interpretation

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes* ("**AASB 112**"). It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain 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 credit and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgment in identifying uncertainties over income tax treatments. The interpretation did not have an impact on the consolidated financial statements of the Group.

Notes to the Half-Year Financial Report

	Notes	31 December 2019 $'000	31 December 2018 $'000
3. Revenue and Other Income			
[a] Revenue			
Revenue from contracts with customers – sale of iron ore		244,646	130,693
Revenue from contracts with customers – freight/shipping services		23,986	38,788
		268,632	169,481
Other revenue:			
Quotation period price adjustments		(16,395)	8,362
Net gain/(loss) on foreign exchange and commodity forward sales contracts		1,895	(469)
		254,132	177,374
[b] Interest revenue			
Interest revenue – calculated using the effective interest method		2,167	3,531
Interest revenue - other		1,756	2,376
		3,923	5,907
[c] Other income			
Net realised gain on foreign exchange transactions		548	833
Net gain on disposal of property, plant and equipment		111	78
Net gain on financial assets held for trading		11	-
Net unrealised gain on foreign exchange balances		-	230
Insurance proceeds - other		9	3
Rail credit income		4,072	-
Other income		31	240
		4,782	1,384
4. Expenses			
[a] Cost of sales – continuing operations			
Mining and administration costs		84,141	47,619
Depreciation of property, plant and equipment – mining and administration		2,283	1,374
Depreciation of right-of-use assets – mining		2,954	-
Mining waste costs deferred (Koolan Island)	12[a]	(20,994)	(16,547)
Amortisation of mining waste costs deferred	12[a]	5,452	-
Amortisation of mine properties	12[a]	9,422	2,252
Crushing costs		11,308	4,686
Depreciation of property, plant and equipment – crushing		480	127
Depreciation of right-of-use assets - crushing		165	-
Transport costs		32,009	44,132
Depreciation of property, plant and equipment – transport		-	657
Port costs		12,206	9,177
Depreciation of property, plant and equipment – port		11	215
Royalties		19,559	10,391
Net ore inventory movement		7,105	8,978
Impairment reversal of ore inventory		(570)	-
Pre-production expenditure capitalised (Koolan Island)		-	(19,715)
Cost of sales – Free on Board (FOB) basis		165,531	93,346
Shipping freight		23,986	38,788
Cost of sales – Cost and Freight (CFR) basis		189,517	132,134

Notes to the Half-Year Financial Report

4. Expenses (Continued)

	31 December 2019 $'000	31 December 2018 $'000
[b] Finance costs		
Finance charges on banking facilities	306	313
Finance charges on lease liabilities	284	-
	590	313
Non-cash interest accretion on rehabilitation provision	258	463
	848	776
[c] Administration and other expenses include:		
Depreciation of property, plant and equipment	63	93
Depreciation of right-of-use assets	293	-
Share-based payments expense	220	153
Insurance premiums (net of refunds)	692	627
Koolan seawall insurance claim and related site works expenses	429	82
Business development expenses	7	17
Impairment (write-back)/impairment of debtors	(28)	160
Impairment and obsolescence write-back on consumables inventories	(841)	(739)
Impairment (write-back)/impairment of deferred acquisition, exploration and evaluation	-	3
Net unrealised loss on foreign exchange balances	1,142	-
Net loss on financial assets held for trading	-	28
Unrealised marked-to-market (gain)/loss on foreign exchange derivatives	(90)	(112)
Unrealised marked-to-market (gain)/loss on financial assets held for trading	1,389	707
[d] Cost of sales & Administration and other expenses include:		
Salaries, wages expense and other employee benefits	24,328	19,337
Operating lease rental – minimum lease payments	-	1,527
Lease expense – short-term	5,070	-
Lease expense – low value assets	12	-
Lease expense – variable	864	-

Notes to the Half-Year Financial Report

5. Taxation

Reconciliation of tax benefit

A reconciliation of tax benefit/(expense) applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense at the Group's effective tax rate for the period ended 31 December 2019 and 2018 is as follows:

	31 December 2019 $'000	31 December 2018 $'000
Accounting profit before tax	63,987	45,083
• At the statutory income tax rate of 30% (2018: 30%)	19,196	13,525
• Expenditure not allowed for income tax purposes	152	100
• Adjustments in respect of deferred tax	-	53
• Recognition of previously unrecognised deferred tax assets	-	(13,680)
• Other	(2)	2
Tax expense	19,346	-
Effective tax rate	30.2%	-
Tax expense reported in Income Statement	**19,346**	**-**
Tax expense relating to continuing operations	19,408	-
Tax (benefit) relating to discontinued operations	(62)	-
	19,346	-

Unrecognised deferred tax assets (calculated at 30%)

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2019 $'000	31 December 2018 $'000
• Tax losses	-	39,249
• Non-current assets	-	31,478
	-	70,727

As at 31 December 2019 the carried forward tax losses of the Group were $44,341,000.

The Company has $16,334,000 of franking credits available as at 31 December 2019 (31 December 2018: $35,706,000). The movement from the prior comparative period is related primarily to the payment in September and October 2019 of a fully franked dividend of $45,203,000.

Notes to the Half-Year Financial Report

6. Cash and Cash Equivalents

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

	31 December 2019 $'000	30 June 2019 $'000
Cash at bank and on hand	78,737	48,850
	78,737	**48,850**

7. Term Deposits and Subordinated Notes

	Notes	31 December 2019 $'000	30 June 2019 $'000
Current			
Term deposits – financial assets at amortised cost	[i]	188,600	208,600
Subordinated notes – financial assets at fair value through OCI	[ii]	91,877	88,882
		280,477	**297,482**

[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 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 low. Accordingly, no impairment allowance has been recognised for expected credit losses on these notes.

8. Financial Assets Held for Trading

	31 December 2019 $'000	30 June 2019 $'000
Current		
Tradeable corporate bonds at fair value through profit or loss	34,337	33,055
Quoted share investments at fair value through profit or loss	4,305	5,144
	38,642	**38,199**

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.

Notes to the Half-Year Financial Report

	Notes	31 December 2019 $'000	30 June 2019 $'000

9. Trade and Other Receivables

	Notes	31 December 2019 $'000	30 June 2019 $'000
Trade debtors – at amortised cost		232	155
Allowance for impairment		(43)	(70)
		189	85
Trade debtors – at fair value through profit or loss		20,276	26,983
Sundry receivables		5,122	5,387
Other receivables		2,274	2,185
		27,861	**34,640**

10. Inventories

	Notes	31 December 2019 $'000	30 June 2019 $'000
Consumables – at cost		18,803	16,891
Allowance for obsolescence and impairment of consumables inventories		(4,598)	(5,439)
		14,205	11,452
Ore – at cost		6,302	13,407
Allowance for impairment of ore inventories		-	(570)
At lower of cost and net realisable value		6,302	12,837
		20,507	**24,289**

11. Property, Plant and Equipment

	Notes	31 December 2019 $'000	30 June 2019 $'000
Property, plant and equipment – at cost		467,306	454,550
Accumulated depreciation and impairment		(435,190)	(432,833)
		32,116	**21,717**
[a] Reconciliation			
Carrying amount at the beginning of the period		21,717	7,734
Additions		14,088	18,540
Disposals		(44)	(77)
Transfers		(807)	-
Depreciation expense – continuing operations		(2,837)	(4,470)
Depreciation expense – discontinued operations		(1)	(10)
		32,116	21,717

Notes to the Half-Year Financial Report

	31 December 2019 $'000	30 June 2019 $'000

12. Mine Properties

Mine development expenditure	1,393,464	1,361,526
Accumulated amortisation and impairment	(1,181,406)	(1,166,532)
Total mine properties	**212,058**	**194,994**

[a] Reconciliation

	Koolan Island		Extension Hill		Total	
	31-Dec-19 $'000	30-Jun-19 $'000	31-Dec-19 $'000	30-Jun-19 $'000	31-Dec-19 $'000	30-Jun-19 $'000
Deferred waste						
Carrying amount at the beginning of the period	64,576	-	-	-	64,576	-
Deferred waste capitalised	20,994	65,615	-	-	20,994	65,615
Amortisation expensed	(5,452)	(1,039)	-	-	(5,452)	(1,039)
Carrying amount at the end of the period	**80,118**	**64,576**	**-**	**-**	**80,118**	**64,576**
Other mine properties						
Carrying amount at the beginning of the period	130,418	85,529	-	2,252	130,418	87,781
Additions	10,445	38,799	-	-	10,445	38,799
Mine rehabilitation – revised estimate	499	8,125	-	-	499	8,125
Amortisation expensed	(9,422)	(2,035)	-	(2,252)	(9,422)	(4,287)
Carrying amount at the end of the period	**131,940**	**130,418**	**-**	**-**	**131,940**	**130,418**
Total mine properties	**212,058**	**194,994**	**-**	**-**	**212,058**	**194,994**

13. Impairment of Assets

The Group reviews the carrying values of its assets at each balance date for indicators of potential impairment and impairment reversals and, where such indicators exist, utilises the approaches required under applicable accounting pronouncements for assessment of any impairment expenses or reversals thereof.

As at 31 December 2019, there were no indicators of impairment present. No impairment expenses or reversals thereof have been recognised during the period (2018: nil).

Notes to the Half-Year Financial Report

14. Interest-Bearing Loans and Borrowings

	31 December 2019 $'000	30 June 2019 $'000
Current		
Insurance premium funding facility	-	1,753
Lease liabilities	6,728	-
	6,728	**1,753**
Non-Current		
Lease liabilities	8,833	-
	8,833	**-**

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

	31 December 2019 $'000	30 June 2019 $'000
Performance bonding facility		
Used at reporting date	6,587	7,087
Unused at reporting date	13,413	12,913
Total facility	**20,000**	**20,000**

Terms and conditions relating to the above 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 amount 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 $6,587,000 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 Limited, Koolan Iron Ore Pty Ltd and Aztec Resources Limited together with mining mortgages over the mining tenements owned by Mount Gibson Mining Limited and Koolan Iron Ore Pty Ltd and the contractual rights of Mount Gibson Mining Limited to mine hematite iron ore at Extension Hill.

Notes to the Half-Year Financial Report

	Notes	31 December 2019 $'000	30 June 2019 $'000

15. Issued Capital

[a] Ordinary shares

	Notes	31 December 2019 $'000	30 June 2019 $'000
Issued and fully paid	[b]	**602,030**	**583,395**

	Notes	31 December 2019 Number of Shares	31 December 2019 $'000	30 June 2019 Number of Shares	30 June 2019 $'000
[b] Movement in ordinary shares on issue					
Unrestricted shares					
Balance at the beginning of the period		1,123,865,435	583,395	1,091,813,060	568,328
Shares issued under Dividend Reinvestment Plan		27,607,012	18,635	29,883,486	14,464
Shares fully paid under LSP		-	-	2,168,889	603
		1,151,472,447	602,030	1,123,865,435	583,395
Restricted shares – Loan Share Plan (LSP)	[e]				
Balance at the beginning of the period		4,504,295	-	4,749,456	-
Shares issued under LSP		1,705,800	-	2,998,351	-
Shares forfeited under LSP		-	-	(1,074,623)	-
Conversion of fully paid shares under LSP		-	-	(2,168,889)	-
		6,210,095	-	4,504,295	-
Balance at end of the period		1,157,682,542	602,030	1,128,369,730	583,395

[c] Share options

During the 6 months ended 31 December 2019, no options were issued.

As at balance date there were no options on issue (30 June 2019: nil).

[d] Performance rights

During the 6 months ended 31 December 2019, no performance rights were issued.

As at 31 December 2019, there were no performance rights on issue (30 June 2019: nil).

[e] Loan Share Plan

On 3 July 2019, the Company issued 1,705,800 shares under the LSP. In accordance with the terms of the LSP, the shares were issued at a market price of $1.03 per share and pursuant to the vesting conditions, these shares do not vest unless a share price target of a 10% premium to the issue price is met between 1 July 2020 and 1 July 2024 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 $0.348 per loan-funded share. In calculating this fair value, a Monte Carlo simulation model was utilised over several thousand simulations to predict the share price at each vesting test date and whether the 10% hurdle would be satisfied, with the resultant values discounted back to the grant date. The underlying share price and the exercise price were assumed at $1.03 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 0.99% based on Australian Government bond yields with three year lives, the estimated volatility was 50% based on historical share price analysis, and the dividend yield was assumed as nil.

Notes to the Half-Year Financial Report

16. Dividends Paid and Proposed

During the half-year ended 31 December 2019, a final dividend of $0.04 per share fully franked ($45,203,000) in respect of the 2018/19 financial year was distributed by way of $26,380,000 in cash and the issue of 27,607,012 new shares under the Company's Dividend Reinvestment Plan.

17. Operating Segments

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

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

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

Operating results for discontinued operations (Tallering Peak) have been excluded from the segment results below.

Notes to the Half-Year Financial Report

17. Operating Segments (Continued)

Half-Year Ended:	Extension Hill 31 December 2019 $'000	Extension Hill 31 December 2018 $'000	Koolan Island 31 December 2019 $'000	Koolan Island 31 December 2018 $'000	Unallocated* 31 December 2019 $'000	Unallocated* 31 December 2018 $'000	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives	63,722	177,374	166,424	-	-	-	230,146	177,374
Interest revenue	-	-	-	-	3,923	5,907	3,923	5,907
Segment revenue, net of shipping freight	**63,722**	**177,374**	**166,424**	**-**	**3,923**	**5,907**	**234,069**	**183,281**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	12,048	49,877	76,812	(14)	(4,107)	134	84,753	49,997
Impairment (loss)/reversal	647	148	764	591	-	(3)	1,411	736
Earnings/(loss) before interest, tax, depreciation and amortisation	12,695	50,025	77,576	577	(4,107)	131	86,164	50,733
Depreciation and amortisation	(46)	(4,048)	(20,721)	(577)	(356)	(93)	(21,123)	(4,718)
Segment result	**12,649**	**45,977**	**56,855**	**-**	**(4,463)**	**38**	**65,041**	**46,015**
Finance costs							(848)	(776)
Profit before tax and discontinued operations							**64,193**	**45,239**
Items included in segment result:								
Impairment (write-backs) on consumables inventories	(77)	(148)	(764)	(591)	-	-	(841)	(739)
Impairment (write-backs) on ore inventories	(570)	-	-	-	-	-	(570)	-
Impairment/(write-backs) of exploration and evaluation expenditure	-	-	-	-	-	3	-	3
	(647)	(148)	(764)	(591)	-	3	(1,411)	(736)

* 'Unallocated' includes interest revenue ($3,923,000) and corporate expenses such as head office salaries and wages.

Notes to the Half-Year Financial Report

17. Operating Segments (Continued)

	Extension Hill		Koolan Island		Unallocated		Consolidated	
As at:	31 December 2019 $'000	30 June 2019 $'000	31 December 2019 $'000	30 June 2019 $'000	31 December 2019 $'000	30 June 2019 $'000	31 December 2019 $'000	30 June 2019 $'000
Segment assets								
Current financial assets	20,149	18,896	50,631	35,724	355,265	364,587	426,045	419,207
Other current assets	6,188	4,045	19,310	23,161	2,457	1,281	27,955	28,487
Property, plant and equipment	235	977	31,618	20,436	263	304	32,116	21,717
Mine properties	-	-	212,058	194,994	-	-	212,058	194,994
Right-of-use assets	-	-	13,965	-	1,462	-	15,427	-
Other non-current assets	-	-	1,709	1,929	-	-	1,709	1,929
Deferred tax assets	-	-	-	-	43,558	62,907	43,558	62,907
Total assets	**26,572**	**23,918**	**329,291**	**276,244**	**403,005**	**429,079**	**758,868**	**729,241**
Segment liabilities								
Financial liabilities	19,477	16,170	50,409	32,633	4,182	14,186	74,068	62,989
Other liabilities	10,941	11,935	40,668	39,718	1,697	1,787	53,306	53,440
Total liabilities	**30,418**	**28,105**	**91,077**	**72,351**	**5,879**	**15,973**	**127,374**	**116,429**
Net assets/(liabilities)	**(3,846)**	**(4,187)**	**238,214**	**203,893**	**397,126**	**413,106**	**631,494**	**612,812**

Notes to the Half-Year Financial Report

18. Discontinued Operations

The Tallering Peak operation is reported as a discontinued operation in this financial report. 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] Loss from discontinued operations

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

	31 December 2019 $'000	31 December 2018 $'000
Other expenses	(206)	(156)
Loss before tax and finance costs from discontinued operations	(206)	(156)
Finance costs	-	-
Loss before tax from discontinued operations	(206)	(156)
Tax benefit	62	-
Net loss after tax from discontinued operations	(144)	(156)
Loss per share (cents per share):		
▪ basic loss per share	(0.01)	(0.01)
▪ diluted loss per share	(0.01)	(0.01)

[b] Cash flow from discontinued operations

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

	31 December 2019 $'000	31 December 2018 $'000
Operating	(307)	(288)
Investing	-	-
Financing	-	-
Net cash outflow from discontinued operations	**(307)**	**(288)**

Notes to the Half-Year Financial Report

19. Financial Instruments

[a] Foreign currency risk

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

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

During the 6 month period ended 31 December 2019, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2019, the notional amount of the foreign exchange hedge book totalling US$15,000,000 is made up exclusively of collar option contracts over the period January to April 2020 with an average cap price of A$1.00/US$0.6970 and an average floor price of A$1.00/US$0.6612.

As at 31 December 2019, the marked-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US$15,000,000 was $328,000.

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.
Collars	Cash flow hedge	To hedge sales receipts against cash flow volatility arising from the fluctuation of the A$/US$ exchange rate by limiting exposure to exchange rates within a certain range of acceptable rates.

[b] Commodity price risk

The Group's operations are exposed to commodity price risk as the Group 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 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.

The Group enters into provisionally priced ore sales contracts, for which price finalisation is referenced to relevant market indices at specified future dates. The Group is exposed to movements in benchmark iron ore prices and movements in benchmark lump premium prices.

During the period, the Group had forward sales agreements covering three shipments totalling 210,000 tonnes of iron ore, with maturity dates spread over the period July 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$86 and US$90 per DMT. Movements in the market value of the forward sale contracts are taken to the income statement.

At balance date, there were no outstanding iron ore forward sales contracts.

[c] Fair value of financial assets and financial liabilities

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

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

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

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

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

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

Notes to the Half-Year Financial Report

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

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

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 31 December 2019 are shown below.

	31 December 2019 Carrying Amount $'000	31 December 2019 Fair Value $'000	30 June 2019 Carrying Amount $'000	30 June 2019 Fair Value $'000
Financial assets - current				
Cash	78,737	78,737	48,850	48,850
Term deposits	188,600	188,600	208,600	208,600
Subordinated notes	91,877	91,877	88,882	88,882
Financial assets held for trading	38,642	38,642	38,199	38,199
Trade debtors and other receivables	27,861	27,861	34,640	34,640
Derivatives	328	328	36	36
	426,045	426,045	419,207	419,207
Financial liabilities – current				
Trade and other payables	58,507	58,507	55,194	55,194
Interest-bearing loans and borrowings – insurance premium funding	-	-	1,753	1,753
Derivatives	-	-	6,042	6,042
	58,507	58,507	62,989	62,989
Net financial assets	**367,538**	**367,538**	**356,218**	**356,218**

20. Events After Balance Sheet Date

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

21. Commitments

At 31 December 2019, the Group has commitments of:

- $13,008,000 (31 December 2018: $16,773,000) relating primarily to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- $2,257,000 (31 December 2018: $1,715,000) relating to capital commitments for the purchase of property, plant and equipment at Koolan Island.
- $458,000 relating to short-term leases for the provision of plant and equipment.

Notes to the Half-Year Financial Report

22. Related Party Disclosures

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all or part of the half-year, Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**) which has a 35.01% beneficial shareholding in Mount Gibson Iron Ltd, Mr Li was a director of Shougang Concord International Trading Pty Ltd (**SCIT**), and Mr Ding was a director of Shougang Fushan Resources Group Limited (**Shougang Fushan**) which has a 14.1% beneficial shareholding in Mount Gibson Iron Ltd.

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

- The sale to a subsidiary of APAC of 20% of iron ore from Koolan Island's available mined production over the life of mine.
- The sale to SCIT of 80% of iron ore from Koolan Island's available mined production over the life of mine, which resulted in the sale of two shipments of iron ore from Koolan Island prior to the novation of this offtake agreement (refer footnote below).

Pursuant to these sales agreements, during the half-year, the Group sold:

- 277,410 wmt (2018: 116,313 wmt) of iron ore to APAC; and
- 146,900 wmt (2018: 1,621,274 wmt) of iron ore to SCIT.

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

	31 December 2019 $'000	30 June 2019 $'000
Assets and Liabilities		
Current Assets		
Receivables/(payables) - APAC	(2,344)	11,877
Receivables – SCIT*	-	6,997
Total receivables	(2,344)	18,874
Total Assets	**(2,344)**	**18,874**
Current Liabilities		
Payables – APAC	-	-
Payables – SCIT*	-	-
Total payables	-	-
Total Liabilities	**-**	**-**

	31 December 2019 $'000	31 December 2018 $'000
Sales Revenue		
Sales revenue - APAC	32,520	8,582
Sales revenue – SCIT*	12,568	131,979
Total Sales Revenue (before shipping freight)	**45,088**	**140,561**

* On 31 May 2019 Shougang Concord International Enterprises Company Limited and its wholly-owned subsidiary SCIT novated their respective interests as guarantor and buyer under the sales agreement for 80% of iron ore from Koolan Island's available mined production over the life of mine to HKSE-listed entity Newton Resources Ltd and its subsidiary Ace Profit Investment Limited (**Ace**), subject to transitional arrangements which were satisfied on 23 July 2019. Ace is not considered to be a related party and only those sales to SCIT during the transition period are included above.

23. Contingent Liabilities

1. The Group has a performance bonding facility drawn to a total of $6,587,000 (30 June 2019: $7,087,000). The performance bonds secure the Group's obligations relating to environmental matters and infrastructure.
2. Certain claims arising with customers, employees, consultants and contractors have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

Directors' Declaration

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

In the opinion of the Directors:

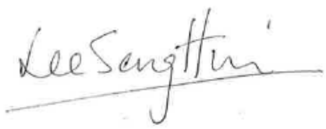
a. the financial statements and the notes of the Group for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position as at 31 December 2019 and the performance of the Group for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the Directors.



Lee Seng Hui
Chairman

18 February 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Mount Gibson Iron Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2019, the interim consolidated statement of profit or loss, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
18 February 2020