

APPENDIX 4D

MOUNT GIBSON IRON LIMITED 31 DECEMBER 2020 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 2020
Previous Corresponding Period: Half-Year ended 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Movement	A\$ million
Revenue from ordinary activities	Up 1.7% to	\$262.3
Profit from continuing operations before tax	Up 67% to	\$106.9
Net profit after tax attributable to members of the Company	Up 67% to	\$74.5

DIVIDENDS

An interim dividend for the half-year ended 31 December 2020 has not been declared.

NET TANGIBLE ASSET BACKING

Consolidated Entity	Unit	31 December 2020	31 December 2019
Net tangible assets	A\$ mill	\$730.0	\$631.5
Fully paid ordinary shares on issue at balance date	#	1,185,917,178	1,157,682,542
Net tangible asset backing per issued ordinary share as at balance date	c/share	61.6	54.5

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 2020 and any public announcements made by Mount Gibson during and after the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules.



**MOUNT GIBSON IRON LIMITED
AND CONTROLLED ENTITIES**

ABN 87 008 670 817

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2020

Financial Report

For the half-year ended 31 December 2020

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Directors' Report

Your Directors submit their report for the half-year ended 31 December 2020 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	<i>Chairman, Non-Executive Director</i>
Simon Bird	<i>Lead Independent Non-Executive Director</i>
Alan Jones	<i>Independent Non-Executive Director</i>
Russell Barwick	<i>Independent Non-Executive Director</i>
Paul Douglas	<i>Independent Non-Executive Director</i>
Ding Rucai	<i>Non-Executive Director</i>
Andrew Ferguson	<i>Alternate Director to Lee Seng Hui</i>

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

CORPORATE INFORMATION

Corporate Structure

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

Nature of Operations and Principal Activities

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

- mining 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;
- 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 2020 was a net profit after tax of \$74,513,000 compared with \$44,641,000 in the prior corresponding half year. On a pre-tax basis, the Group realised a profit before tax from continuing operations of \$106,885,000 for the half-year compared with \$64,193,000 in the prior corresponding half year period.

This result reflected a significant rise in iron ore prices over the half-year, steady ore sales from the high-grade Koolan Island mine in the Kimberley region albeit during the current high waste stripping investment phase, and the successful conclusion of the Company's program to monetise remnant low grade material stockpiled or recoverable at the previously closed Extension Hill mine in the Mid-West. The result also benefited from the ongoing rail credit refund of historical rail access charges relating to third party usage of the Mid-West 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\$100 per dry metric tonne ("dmt") and rose rapidly towards the end of the period, peaking at US\$177/dmt in late December before ending the period at US\$159/dmt. The average price for the half year was US\$126/dmt, compared with US\$95/dmt in the prior corresponding half-year. Over the same period, the A\$/US\$ exchange rate also rose significantly, ranging from A\$1.00/US\$0.69 at the start of the period and ending the half-year at US\$0.770. The average for the half-year was US\$0.723, compared with US\$0.685 in the prior corresponding half year.

Mount Gibson Iron Limited
31 December 2020 Half-Year Financial Report

Group ore sales for the half-year totalled 2.3 million wet metric tonnes ("Mwmt") comprising 1.1 Mwmt of high grade Koolan Island fines and 1.2 Mwmt of low-grade material from Extension Hill. Sales revenue totalled \$258,798,000, comprising \$239,291,000 Free On Board ("FOB") revenues, \$18,116,000 in shipping freight services and \$1,391,000 of realised foreign exchange hedging and commodity collar contract net gains. Mount Gibson achieved an average realised price for Koolan Island high grade iron ore fines product for the half-year of US\$121/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\$30/dmt FOB for fines and US\$43/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 \$105/wmt FOB in the half-year period, compared with \$84/wmt FOB in the 2019/20 financial year.

Total cash reserves comprising cash and cash equivalents, term deposits and subordinated notes and financial assets held for trading, increased by \$12,494,000 over the half-year to a total of \$435,719,000 as at 31 December 2020.

COVID-19 Business Response

During the half-year, Western Australia's positive record in containing community transmission of COVID-19 allowed the staged relaxation of a number of restrictions originally imposed across the business from late March 2020. Notably this allowed a return to standard FIFO rosters (generally 2 weeks on/1 week off) from mid-2020. However, Mount Gibson maintained a range of general site and travel protocols to reduce the risk of virus transmission and remained ready to respond promptly in the event of any reinstatement of government restrictions. This readiness was demonstrated in January and February 2021 due to a regulatory lockdown over the Perth metropolitan and southern regions of Western Australia, with the reintroduction of regional travel restrictions, mandatory mask-wearing requirements and enhanced site social distancing protocols. Mount Gibson personnel have responded positively to the safety restrictions and no instances of COVID-19 have occurred at Mount Gibson's sites or workplaces to date.

Operating Results for the Half-Year Period

The summarised operating results for the Group for the half-year ended 31 December 2020 are tabulated below.

Consolidated Group		31 December 2020 \$'000	31 December 2019 \$'000
Net profit before tax from continuing and discontinued operations	\$'000	106,727	63,987
Tax expense	\$'000	(32,214)	(19,346)
Net profit after tax attributable to members of the Company	\$'000	74,513	44,641
Earnings per share	cents/share	6.39	3.92

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

Consolidated Group	Unit	Sept Quarter 2020	Dec Quarter 2020	Dec Half-Year 2020	Dec Half-Year 2019
Mining and crushing					
Total waste mined	kwmt	4,544	5,259	9,804	6,261
Total ore mined	kwmt	827	607	1,434	1,414
Total ore crushed	kwmt	1,363	610	1,972	2,959
Shipping/sales					
Standard DSO Fines	kwmt	672	396	1,069	1,397
Low grade DSO Lump	kwmt	416	472	888	951
Low grade DSO Fines	kwmt	285	61	346	410
Total	kwmt	1,373	930	2,303	2,757
Average Platts 62% Fe CFR northern China price	US\$/dmt	118	134	126	95
MGX Free on Board (FOB) average realised fines price – Koolan Island*	US\$/dmt	104	149	121	83
MGX Free on Board (FOB) average realised lump price – Mid-West^	US\$/dmt	41	45	43	35
MGX Free on Board (FOB) average realised fines price – Mid-West^	US\$/dmt	30	34	30	28

kwmt = thousand wet metric tonnes

US\$/dmt = USD per dry metric tonne

^ Reflects the realised price after shipping freight and specification adjustments and penalties. Mid-West sales in the December 2020 half year comprised only shipments of low grade cargoes.

* Reflects the realised price for Koolan comprising a mix of month of shipping (M), M+1 and M+2 averages, referencing the Platts 62% and 65% Fe Indices, 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

Following a successful first year of commercial production from the Koolan Island operation during 2019/20, the focus of activity in the December 2020 half-year was on progressing the elevated overburden stripping phase of operations in the Main Pit. This major stripping program is required to access significantly greater volumes of higher grade iron ore from the second half of 2021 onwards.

The mine generated earnings before interest and tax of \$98,098,000 in the half-year reflecting the volume of ore sales completed in the period and increased pricing and demand for all iron ore products, including Koolan Island's high grade fines.

Consistent with the mine plan, total material movement increased substantially in the half-year, with 10.7 Mwmt of waste and ore moved in the period, compared with 15.2 Mwmt in the whole of the 2019/20 year. Consistent with the focus on waste movement, ore production in the half-year totalled 0.9 Mwmt compared with 1.4 Mwmt in the prior corresponding half-year.

While mining volumes were significantly higher in the half-year, activity was impacted by mining interruptions in the December quarter.

As reported in November 2020, mining was interrupted by a localised rockfall on the western end of the Main Pit footwall. The rockfall did not result in any injuries to personnel or damage to equipment and was constrained by the protective meshing installed as part of standard geotechnical controls in respect of the footwall. The rockfall occurred shortly before the planned completion of mining in the impacted area, in which mining was scheduled to resume in the June quarter 2021. The seawall side of the Main Pit was not impacted by this event and mining in the rest of the Main Pit continued as planned.

Seawall instrumentation continues to demonstrate that the Main Pit seawall, which incorporates the installed impermeable seepage barrier and has been under full tidal loads for over two years, is performing to design expectations.

The Company is currently finalising its detailed assessment of proposed remedial footwall support measures to safely resume mining in the impacted area and determine appropriate adjustments to the mine plan. It is anticipated that these remedial works will involve modest additional capital expenditure in 2021 for ground support activities on the upper footwall levels where historical installations are less intensive than on lower levels. The timing to complete this work is under further review.

Mining was again interrupted by heavy wet season rains in December, when more than 770mm of rainfall was recorded including over 420mm within one 48 hour period which limited pit access. Mining continued uninterrupted in the upper west end of Main Pit during this period, however total material movement was unavoidably impacted. Mining movement returned towards planned levels in January 2021.

The average grade of shipments in the December half-year was 63.3% Fe, reflecting the higher proportion of production from the upper west end of Main Pit where ore is lower grade, while the overburden stripping phase continues. During the March and June 2021 quarters, shipped product grades are expected temporarily to average 58-61% Fe, reflecting an increased proportion of ore sourced from the upper west end of the Main Pit while the overburden stripping program continues. High-grade (+65% Fe) material from the lower levels of the Main Pit is targeted for access in the September 2021 quarter, however the precise timing is dependent on implementation of necessary additional footwall support measures and any appropriate changes required to mining and ground support practices.

Given the high prevailing prices for all iron ore products and the relative narrowing of high grade premiums in recent months, Mount Gibson has been actively reviewing its product blending strategy to generate the optimal volume/grade return from available material. Sales from Koolan Island are made under long term offtake agreements on FOB terms, with the sale occurring upon shipment loading at Koolan Island.

Reflective of the waste stripping schedule, ore production levels and the mining interruptions in the December quarter, the average cash cost of sales was \$64/wmt FOB for the half-year before overburden stripping investment of \$63 million and capital projects of \$5 million. Waste stripping investment is expected to exceed \$100 million for the full 2020/21 financial year. In addition, approximately \$20-25 million is planned to be incurred for various Koolan Island capital improvement projects across the March and June 2021 quarters, primarily for an upgrade of the existing crushing plant to ensure it will be capable of processing the significantly increased ore throughput scheduled to occur from the September quarter onwards.

As previously indicated, the planned elevated stripping phase of the mine is scheduled to be substantially completed in the second half of calendar 2021. Thereafter, sales are anticipated to rise and cash costs to decline in step with the significantly reduced waste to ore stripping ratio.

Exploration and Resource Development

The Company is actively assessing potential opportunities to extend the mine life of the Koolan Island operation. Work has to date focused on optimisation of the Main Pit orebody and is now transitioning to known satellite deposits on the Island. Approvals are being sought and preparations are underway for drilling in the 2021 dry season.

Infrastructure Investment - Airstrip

As previously reported, the Company has constructed a new 2.1 kilometre sealed all-weather airstrip in the centre of the Island, on time and under the \$20 million budget. First crew flights, transporting circa 100 personnel from Perth direct to Koolan Island, commenced on a twice weekly basis in mid-October. A formal opening and naming ceremony of the Laawun Airport was held with the Dambimangari Traditional Owners in late November. The new airstrip has already demonstrated significant safety and efficiency benefits to the Koolan Island operation by approximately halving the average commute time for Perth personnel. The COVID-19 global pandemic has further highlighted the value of this development.

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Production statistics for the December 2020 half-year are tabulated below:

Koolan Island Production Summary	Unit	Sept Quarter 2020 '000	Dec Quarter 2020 '000	Dec Half-Year 2020 '000	Dec Half-Year 2019 '000	% incr / (decr)
Mining						
Waste mined	wmt	4,544	5,259	9,804	6,261	57
Standard ore mined	wmt	672	184	856	1,414	(39)
Crushing						
Lump	wmt	152	75	226	389	(42)
Fines	wmt	531	211	742	994	(25)
		683	285	968	1,383	(30)
Shipping/Sales						
Fines	wmt	672	396	1,069	1,397	(24)
		672	396	1,069	1,397	(24)

Minor discrepancies may appear due to rounding.

Extension Hill Hematite Operations

The low grade sales program from Extension Hill was successfully completed in late December, with sales totalling 1.2 Mwmt for the half-year, at the upper end of guidance. Sales comprised 0.9 Mwmt of low-grade lump material and 0.3 Mwmt of low-grade fines taken from the last remaining stockpiles at the site, and also from recoverable low-grade detrital gravels adjacent to the Extension Hill pit.

The Extension Hill operation generated earnings before interest and tax of \$18,203,000 in the half-year. Cashflow for the half-year period totalled \$16 million, excluding proceeds from the rail credit refund.

Sales of low grade remnant material from Extension Hill were conducted on a fixed price basis and achieved an average realised price of US\$30/dmt FOB for fines and US\$43/dmt FOB for lump ore during the six month period. The average cash cost of sales was \$40/wmt FOB for the-half year, at the lower end of guidance, compared with \$41/wmt FOB in the 2019/20 financial year.

Mount Gibson commenced the low-grade (51-54% Fe) sales program from Extension Hill in June 2019 with an initial sales target of approximately 1 Mwmt. Since that time, stronger iron ore prices have supported extensions to the program which have resulted in total sales of approximately 4.1 Mwmt for operating cashflows of over \$30 million.

Transition to final closure and rehabilitation of the Extension Hill site has commenced. The accounting provision for rehabilitation for the Extension Hill mine site as at 31 December 2020 was \$9,207,000 (30 June 2020: \$9,797,000) and, depending on the timing of plant and infrastructure removal, it is expected that much of this amount will be incurred over the next 12 months.

Redeployment of site personnel and equipment to the Shine project has commenced where appropriate. The Company has also received several expressions of interest regarding the site and its various operating and infrastructure assets.

Production and shipping statistics for the December 2020 half-year are tabulated below:

Extension Hill Production Summary	Unit	Sept Quarter 2020 '000	Dec Quarter 2020 '000	Dec Half-Year 2020 '000	Dec Half-Year 2019 '000	% incr / (decr)
Mining						
Low grade ore mined*	wmt	155	423	578	-	-
Crushing						
Lump	wmt	415	324	739	992	(25)
Fines	wmt	265	-	265	584	(55)
		680	324	1,004	1,576	(36)
Transported to Perenjori Railhead						
Lump	wmt	372	413	785	986	(20)
Fines	wmt	296	-	296	472	(37)
		668	413	1,081	1,458	(26)
Transported to Geraldton Port						
Lump	wmt	384	416	800	915	(13)
Fines	wmt	301	12	314	413	(24)
		686	428	1,114	1,328	(16)
Shipping/Sales						
Low grade lump	wmt	416	472	888	951	(7)
Low grade fines	wmt	285	61	346	410	(16)
		701	534	1,234	1,360	(9)

* Low grade ore is material grading 50-55% Fe and which is considered saleable.

Minor discrepancies may appear due to rounding.

Shine Iron Ore Project

Development planning for the Shine Iron Ore Project, located approximately 85km north of Extension Hill, was reactivated in early 2020 having been deferred amid deteriorating market conditions in 2014/15.

In October 2020, Mount Gibson declared initial Ore Reserves of 2.8Mt grading 59.4% Fe in the proposed "Stage 1" pit at Shine. Capital development costs are estimated at \$17-20 million, with forecast production of approximately 1.5 Mwmt/year over an initial two-year period at an average cash operating cost of \$65-70/wmt FOB before royalties.

The sustained increase in iron ore prices and demand in recent months has significantly enhanced the economics and outlook for the Shine Project. Should market conditions remain supportive, there is potential to extend the mine life by a further two years by proceeding with a "Stage 2" pit, based on Measured and Indicated Mineral Resources within the modelled pit shells. The Shine project has total Measured, Indicated and Inferred Hematite Resources of 10.8Mt grading 58.2% Fe.

Activity in the half-year focused on site preparation, progressing remaining permitting requirements, and advancing key commercial arrangements. The base development case assumes ore is hauled approximately 300km by road from the mine site to the Company's established export facilities at Geraldton Port. Potentially more cost-effective alternative transport options are under advanced negotiation with third parties.

Equipment mobilisation occurred in the December quarter and site works commenced at the start of January 2021, including laydown area clearings and establishment of the site water supply. The mobile mining fleet has been secured and recruitment of key senior site personnel is also largely completed.

Subsequent to period end, Mount Gibson has received relevant mining approvals from regulatory authorities. The project remains on schedule to commence mining in April 2021 to achieve first ore sales early in the September quarter.

Expenditure on the project totalled \$1.2 million in the half-year, and Mount Gibson expects to incur most of the budgeted capital development expenditure in the June 2021 half-year. In addition, approximately \$15 million is expected to be incurred in the current half-year period on overburden stripping assuming mining activity commences in April 2021 as planned.

Financial Position

The Group's cash and cash equivalents, term deposits and subordinated notes, and financial assets held for trading totalled \$435,719,000 as at 31 December 2020, an increase of \$12,494,000 over the half-year from the balance of \$423,225,000 as at 30 June 2020.

The key components of the increase include positive cashflow of \$96,887,000 (after head office costs, sustaining capital expenditure and working capital movements), interest received of \$3,888,000, Koolan Island mine development expenditure of \$72,010,000 and payment of the \$16,271,000 cash component of the fully franked final dividend to shareholders for the 2019/20 financial year.

As at the balance date, the Group's current assets totalled \$507,492,000 and its current liabilities totalled \$80,626,000. Accordingly, as at the date of this report, the Group has sufficient funds, as well as access to further equity and debt sources, to operate and sell iron ore from its operations and to advance its growth objectives.

Derivatives

At 31 December 2020 the Group held foreign exchange collar option contracts covering the conversion of US\$6,500,000 into Australian dollars over January to February 2021 with an average guaranteed cap price of A\$1.00/US\$0.7235 and an average floor price, below which Mount Gibson does not participate, of A\$1.00/US\$0.6917. These collar contracts had a fair value unrealised net gain at balance date of \$570,000.

During the period, the Group also entered into iron ore collar option contracts totalling 270,000 tonnes of iron ore, with maturity dates over the period July to December 2021. The contracts have floor price protection of US\$100-110/tonne (for 62% Fe CFR) and cap prices, above which Mount Gibson does not participate, of US\$107-133/tonne. With the rise in the iron ore price late in the period, these contracts had a fair value loss of \$4,696,000 as at balance date.

Extension Hill Rail Refund/Credit Receivable

Following achievement of a contractual rail volume threshold at Extension Hill during the 2017/18 financial year, the Group has an entitlement to receive a partial refund of historical rail access charges from the Mid-West rail leaseholder, Arc Infrastructure, based upon the future usage by third parties of specific segments of the Perenjori to Geraldton railway line. This entitlement commenced upon termination of the Group's then existing rail agreements in early 2019, and is calculated at various volume-related rates, and capped at a total of approximately \$35 million (subject to indexation) and a time limit expiring in 2031. Receipt of this potential future refund is not certain and is fully dependent on the volumes railed by third parties on the specified rail segments. The entitlement is currently accruing as a receivable at a rate of approximately \$2 million per quarter, with payments due every six months. Mount Gibson received its third six-monthly payment, totalling \$3,730,000, in September 2020, taking cumulative total proceeds received since the first payment to \$12,077,000.

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 2020/21 financial year:

- **Koolan Island** – commission the new airstrip (now completed) and substantially complete the elevated stripping phase of the life-of-mine plan in order to maximise sales and cashflow over the remainder of the mine life as the waste/ore stripping ratio and costs decline and ore shipments increase.
- **Extension Hill** – extend the current program of Extension Hill low-grade sales should favourable market prices continue (achieved and completed) and transition the site to final closure.
- **Shine** - complete development planning and, subject to a favourable assessment outcome, bring the project into production. Development activities are already well underway.
- **Cost reductions** - continue to drive sustainable cost improvements across all business units.
- **Treasury returns** – maintain an appropriate yield on the Group's cash and investment reserves while preserving capital for future deployment.
- **Growth projects** – continue the search for acquisition opportunities in the resources sector.

Group Sales Guidance and Cash Costs Guidance

As previously reported, the focus in 2020/21 is on increased mining movements at Koolan Island to substantially complete the planned open pit overburden stripping phase ahead of ore shipment levels rising significantly from next financial year onwards.

In the Mid-West, the focus is on bringing the Shine project into production as quickly as possible now that low-grade sources from Extension Hill have been depleted.

In August 2020, Mount Gibson provided ore sales guidance for the 2020/21 year of 2.8 to 3.3 Mwmt comprising 1.8 to 2.1 Mwmt of high-grade fines from Koolan Island and 1.0 to 1.2 Mwmt of low-grade material from the Mid-West, at an average Group cash cost of \$60-65/wmt FOB before waste stripping investment and improvement projects at Koolan Island.

Sales from the Mid-West in the December half-year were at the upper end of guidance while mining at Koolan Island has been more challenging and was interrupted by heavy wet season rains in the December quarter. Sales from Koolan Island are therefore expected to be at the lower end of the Company's guidance range for the 2020/21 year. With the overburden stripping phase and increased investment in geotechnical support activities in the Main Pit, ore sales from Koolan Island in the March and June 2021 quarters are expected to be broadly similar to volumes in the December quarter before increasing significantly in the September quarter, subject to the implementation of necessary additional footwall support measures mentioned in the Koolan Island section above.

Reflecting the timing and cost impacts of recent weather interruptions and increased geotechnical works required at Koolan Island, Mount Gibson is increasing its Group cash cost guidance for the full 2020/21 financial year to \$65-70/wmt FOB. This estimate excludes key capital estimates for Shine Project development and pre-production costs (\$30 million), Koolan Island capitalised waste stripping (\$130 million) and other improvement projects (\$25-30 million), the latter primarily for an upgrade of the Koolan crushing circuit to cater for increased ore production once the elevated stripping phase is completed later this year.

Within this Group guidance, Koolan Island site cash costs are anticipated to average \$70-75/wmt FOB for the 2020/21 financial year excluding the capital projects mentioned above.

Group cash costs are reported FOB and include all operating, sustaining capital, royalties and corporate costs, but are before capitalised waste stripping, capital upgrade and development projects. Site cash costs are reported FOB on a consistent basis and include royalties, sustaining capital expenditure and allocated corporate costs.

DIVIDENDS

During the half-year, a final dividend of \$0.03 per share fully franked (\$34,807,000) in respect of the 2019/20 financial year was distributed by way of \$16,271,000 in cash and the issue of 25,688,736 new shares under the Company's Dividend Reinvestment Plan.

An interim dividend for the half-year ended 31 December 2020 has not been declared.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Subsequent to period end, Mount Gibson has received relevant mining approvals from regulatory authorities for the Shine Iron Ore Project.

Except for the above, 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.

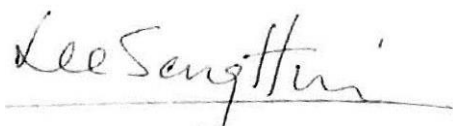
ROUNDING

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 9 which forms part of this report.

Signed in accordance with a resolution of the Directors.



Lee Seng Hui
Chairman
23 February 2021

Competent Person Statement

Mineral Resources:

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

Ore Reserves

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

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

As lead auditor for the review of Mount Gibson Iron Limited for the half-year ended 31 December 2020, 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



Gavin Buckingham
Partner
23 February 2021

Interim Consolidated Statement of Profit or Loss

For the half-year ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
CONTINUING OPERATIONS			
Revenue	3[a]	258,798	254,132
Interest revenue	3[b]	3,515	3,923
TOTAL REVENUE		262,313	258,055
Cost of sales	4[a]	(146,946)	(189,517)
GROSS PROFIT		115,367	68,538
Other income	3[c]	5,129	4,782
Net foreign exchange loss	4[c]	(7,495)	(1,142)
Net unrealised marked-to-market gain/(loss)	4[d]	964	(1,299)
Administration and other expenses	4[e]	(6,626)	(5,838)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND FINANCE COSTS		107,339	65,041
Finance costs	4[b]	(454)	(848)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		106,885	64,193
Tax expense	5	(32,261)	(19,408)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		74,624	44,785
DISCONTINUED OPERATIONS			
Loss after tax for the period from discontinued operations		(111)	(144)
PROFIT FOR THE PERIOD AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		74,513	44,641
Earnings per share (cents per share)			
▪ basic earnings per share		6.39	3.92
▪ diluted earnings per share		6.38	3.91
Earnings per share (cents per share) for continuing operations			
▪ basic earnings per share		6.40	3.93
▪ diluted earnings per share		6.39	3.93

Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2020

	31 December 2020	31 December 2019
	\$'000	\$'000
PROFIT FOR THE PERIOD AFTER TAX	74,513	44,641
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedges	(165)	(205)
Reclassification adjustments for loss on cash flow hedges transferred to the Income Statement	330	410
Change in fair value of debt instrument classified as financial assets designated at fair value through other comprehensive income	480	(4)
Deferred income tax	(194)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	451	201
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	74,964	44,842

Interim Consolidated Statement of Financial Position

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	135,066	111,661
Term deposits and subordinated notes	7	245,137	275,157
Financial assets held for trading	8	55,516	36,407
Trade and other receivables	9	31,472	19,236
Inventories	10	31,028	39,800
Prepayments		8,703	3,908
Derivative financial assets	18[a]	570	557
TOTAL CURRENT ASSETS		507,492	486,726
NON-CURRENT ASSETS			
Property, plant and equipment	11	51,303	44,593
Right-of-use assets		10,507	12,017
Deferred acquisition, exploration and evaluation costs		1,201	3
Mine properties	12	294,689	233,785
Prepayments		1,268	1,488
Deferred tax assets		-	26,165
TOTAL NON-CURRENT ASSETS		358,968	318,051
TOTAL ASSETS		866,460	804,777
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		54,787	60,915
Employee benefits		5,315	4,826
Interest-bearing loans and borrowings	14	8,921	6,846
Derivative financial liabilities	18[b]	4,696	-
Provisions		6,907	8,515
TOTAL CURRENT LIABILITIES		80,626	81,102
NON-CURRENT LIABILITIES			
Employee benefits		234	228
Interest-bearing loans and borrowings	14	1,865	5,382
Provisions		47,521	47,340
Deferred tax liabilities		6,243	-
TOTAL NON-CURRENT LIABILITIES		55,863	52,950
TOTAL LIABILITIES		136,489	134,052
NET ASSETS		729,971	670,725
EQUITY			
Issued capital	15	620,620	602,030
Accumulated losses		(839,654)	(914,167)
Reserves		949,005	982,862
TOTAL EQUITY		729,971	670,725

Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		234,439	254,833
Proceeds from rail credit		3,730	3,961
Payments to suppliers and employees		(124,161)	(191,879)
Interest paid		(214)	(467)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		113,794	66,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,888	4,579
Proceeds from sale of property, plant and equipment		189	156
Purchase of property, plant and equipment		(14,410)	(13,282)
Proceeds from term deposits		18,500	20,000
Proceeds from sale of subordinated notes		12,000	-
Payment for subordinated notes		-	(3,000)
Proceeds from sale of financial assets held for trading		4,541	6,396
Payment for financial assets held for trading		(17,818)	(8,217)
Payment for deferred exploration and evaluation expenditure		(641)	(41)
Payment for mine development		(72,010)	(10,500)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(65,761)	(3,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		253	-
Repayment of lease liabilities		(4,294)	(3,278)
Repayment of insurance premium funding		-	(1,753)
Payment of borrowing costs		(74)	(100)
Dividends paid		(16,271)	(26,380)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(20,386)	(31,511)
NET INCREASE IN CASH AND CASH EQUIVALENTS		27,647	31,028
Net foreign exchange difference		(4,242)	(1,141)
Cash and cash equivalents at beginning of period		111,661	48,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	135,066	78,737

Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	<i>Attributable to Equity Holders of the Parent</i>						Total Equity \$'000
	Issued Capital \$'000	Accumulated Losses \$'000	Share Based Payments Reserve \$'000	Net Unrealised Gains / (Losses) Reserve \$'000	Dividend Distribution Reserve \$'000	Other Reserves \$'000	
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
At 1 July 2020	602,030	(914,167)	21,277	515	964,262	(3,192)	670,725
Profit for the period	-	74,513	-	-	-	-	74,513
Other comprehensive income	-	-	-	451	-	-	451
Total comprehensive income for the period	-	74,513	-	451	-	-	74,964
Transactions with owners in their capacity as owners							
- Dividends paid	-	-	-	-	(34,807)	-	(34,807)
- After tax dividends netted off against loan-funded shares	-	-	-	-	199	-	199
- Shares issued under DRP	18,337	-	-	-	-	-	18,337
- Exercise of shares vested under LSP	253	-	-	-	-	-	253
Share-based payments	-	-	300	-	-	-	300
At 31 December 2020	620,620	(839,654)	21,577	966	929,654	(3,192)	729,971

Notes to the Half-Year Financial Report

For the half-year ended 31 December 2020

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 2020, was authorised for issue in accordance with a resolution of the Directors on 23 February 2021.

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 2020 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 2020. 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 2020 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 2020, the Group has adopted all Accounting Standards and Interpretations mandatory to annual periods beginning on or before 1 July 2020. 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 2020, except for the adoption of new standards and interpretations as of 1 July 2020. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group. The Group has not yet early adopted any other standard, interpretations or amendment that has been issued but is not yet effective.

Notes to the Half-Year Financial Report

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
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3. Revenue and Other Income

[a] Revenue

Revenue from contracts with customers – sale of iron ore		210,948	244,646
Revenue from contracts with customers – freight/shipping services		18,116	23,986
		<u>229,064</u>	<u>268,632</u>
Other revenue:			
Quotation period price adjustments – relating to prior year shipments		3,823	(4,773)
Quotation period price adjustments – relating to current year shipments		24,520	(11,622)
Realised gain/(loss) on foreign exchange and commodity collar option sales contracts		1,391	1,895
		<u>258,798</u>	<u>254,132</u>

[b] Interest revenue

Interest revenue – calculated using the effective interest method		818	2,167
Interest revenue - other		2,697	1,756
		<u>3,515</u>	<u>3,923</u>

[c] Other income

Net realised gain on foreign exchange transactions		-	548
Net gain on disposal of property, plant and equipment		189	111
Net realised gain on financial assets held for trading		31	11
Insurance proceeds - other		267	9
Rail credit income		4,021	4,072
Other income		621	31
		<u>5,129</u>	<u>4,782</u>

4. Expenses

[a] Cost of sales – continuing operations

Mining and administration costs		96,251	84,141
Depreciation of property, plant and equipment – mining and site administration		3,896	2,283
Depreciation of right-of-use assets – mining and site administration		3,905	2,954
Capitalised deferred stripping costs (Koolan Island)	12[a]	(62,949)	(20,994)
Amortisation of capitalised deferred stripping costs	12[a]	4,975	5,452
Amortisation of mine properties	12[a]	6,550	9,422
Crushing costs		10,301	11,308
Depreciation of property, plant and equipment – crushing		647	480
Depreciation of right-of-use assets - crushing		165	165
Transport costs		25,705	32,009
Port costs		6,623	12,206
Depreciation of property, plant and equipment – port		34	11
Royalties		20,668	19,559
Net ore inventory movement		12,232	7,105
Impairment reversal of ore inventory		-	(570)
Rehabilitation revised estimate adjustment		(173)	-
Cost of sales – Free on Board (FOB) basis		<u>128,830</u>	<u>165,531</u>
Shipping freight		18,116	23,986
Cost of sales – Cost and Freight (CFR) basis		<u>146,946</u>	<u>189,517</u>

Notes to the Half-Year Financial Report

	31 December 2020 \$'000	31 December 2019 \$'000
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4. Expenses (Continued)

[b] Finance costs

Finance charges on banking facilities	124	306
Finance charges on lease liabilities	193	284
	<u>317</u>	<u>590</u>
Non-cash interest accretion on rehabilitation provision	137	258
	<u>454</u>	<u>848</u>

[c] Net foreign exchange loss

Net realised loss on foreign exchange transactions	3,242	-
Net unrealised loss on foreign exchange balances	4,253	1,142
	<u>7,495</u>	<u>1,142</u>

[d] Net unrealised marked-to-market (gain)/loss

Unrealised marked-to-market (gain)/loss on foreign exchange derivatives	152	(90)
Unrealised marked-to-market loss on commodity derivatives	4,696	-
Unrealised marked-to-market (gain)/loss on financial assets held for trading	(5,812)	1,389
	<u>(964)</u>	<u>1,299</u>

[e] Administration and other expenses include:

Depreciation of property, plant and equipment	68	63
Depreciation of right-of-use assets	293	293
Share-based payments expense	300	220
Insurance premiums (net of refunds)	746	692
Koolan seawall insurance claim and related site works expenses	484	429
Business development expenses	19	7
Reversal of expected credit loss on debtors	-	(28)
Reversal of write down to net realisable value on consumables inventories	(421)	(841)

[f] Cost of sales & Administration and other expenses include:

Salaries, wages expense and other employee benefits	26,761	24,328
Lease expense – short-term	4,869	5,070
Lease expense – low value assets	85	12
Lease expense – variable	793	864

Notes to the Half-Year Financial Report

	31 December 2020 \$'000	31 December 2019 \$'000
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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 2020 and 2019 is as follows:

Accounting profit before tax	106,727	63,987
• At the statutory income tax rate of 30% (2019: 30%)	32,018	19,196
• Expenditure not allowed for income tax purposes	196	152
• Other	-	(2)
Tax expense	32,214	19,346
Effective tax rate	30.2%	30.2%
Tax expense reported in Income Statement	32,214	19,346
Tax expense relating to continuing operations	32,261	19,408
Tax (benefit) relating to discontinued operations	(47)	(62)
	32,214	19,346

The Company has \$1,416,000 of franking credits available as at 31 December 2020 (31 December 2019: \$16,334,000). The movement from the prior comparative period is related to the payment in September 2020 of a fully franked dividend of \$34,807,000.

Notes to the Half-Year Financial Report

	31 December 2020 \$'000	30 June 2020 \$'000
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6. Cash and Cash Equivalents

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

Cash at bank and on hand	135,066	111,661
	135,066	111,661

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
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7. Term Deposits and Subordinated Notes

Current

Term deposits – financial assets at amortised cost	[i]	164,100	182,600
Subordinated notes – financial assets at fair value through OCI	[ii]	81,037	92,557
		245,137	275,157

- [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.

	31 December 2020 \$'000	30 June 2020 \$'000
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8. Financial Assets Held for Trading

Current

Tradeable corporate bonds at fair value through profit or loss	44,692	33,291
Quoted share investments at fair value through profit or loss	10,824	3,116
	55,516	36,407

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 2020 \$'000	30 June 2020 \$'000
9. Trade and Other Receivables			
Trade debtors – at amortised cost		4,421	160
Expected credit loss		(42)	(42)
		4,379	118
Trade debtors – at fair value through profit or loss		17,290	12,001
Sundry receivables		5,088	4,780
Other receivables		4,715	2,337
		31,472	19,236
10. Inventories			
Consumables – at cost		23,752	20,748
Allowance for obsolescence and impairment of consumables inventories		(4,021)	(4,478)
		19,731	16,270
Ore – at cost		11,297	23,530
At lower of cost and net realisable value		11,297	23,530
		31,028	39,800
11. Property, Plant and Equipment			
Property, plant and equipment – at cost		493,190	483,220
Accumulated depreciation and impairment		(441,887)	(438,627)
		51,303	44,593
[a] Reconciliation			
Carrying amount at the beginning of the period		44,593	21,717
Additions		11,355	30,428
Disposals		-	(149)
Transfers to road resealing provision		-	(807)
Depreciation expense – continuing operations		(4,645)	(6,595)
Depreciation expense – discontinued operations		-	(1)
		51,303	44,593

Notes to the Half-Year Financial Report

	31 December 2020 \$'000	30 June 2020 \$'000
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12. Mine Properties

Mine development expenditure	1,503,968	1,431,540
Accumulated amortisation and impairment	(1,209,279)	(1,197,755)
Total mine properties	294,689	233,785

[a] Reconciliation

	Koolan Island		Extension Hill		Total	
	31-Dec-20 \$'000	30-Jun-20 \$'000	31-Dec-20 \$'000	30-Jun-20 \$'000	31-Dec-20 \$'000	30-Jun-20 \$'000
Deferred waste						
Carrying amount at the beginning of the period	96,990	64,576	-	-	96,990	64,576
Deferred waste capitalised	62,949	44,564	-	-	62,949	44,564
Amortisation expensed	(4,975)	(12,150)	-	-	(4,975)	(12,150)
Carrying amount at the end of the period	154,964	96,990	-	-	154,964	96,990
Other mine properties						
Carrying amount at the beginning of the period	136,795	130,418	-	-	136,795	130,418
Additions	9,782	18,812	-	-	9,782	18,812
Mine rehabilitation – revised estimate	(302)	6,638	-	-	(302)	6,638
Amortisation expensed	(6,550)	(19,073)	-	-	(6,550)	(19,073)
Carrying amount at the end of the period	139,725	136,795	-	-	139,725	136,795
Total mine properties	294,689	233,785	-	-	294,689	233,785

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 2020, there were no indicators of impairment or impairment reversal present. No impairment expenses or reversals thereof have been recognised during the period (2019: nil).

Notes to the Half-Year Financial Report

	31 December 2020 \$'000	30 June 2020 \$'000
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14. Interest-Bearing Loans and Borrowings

Current

Lease liabilities	8,921	6,846
	8,921	6,846

Non-Current

Lease liabilities	1,865	5,382
	1,865	5,382

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

Performance bonding facility

Used at reporting date	6,587	6,587
Unused at reporting date	13,413	13,413
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 2020 \$'000	30 June 2020 \$'000
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15. Issued Capital

[a] Ordinary shares

Issued and fully paid	[b]	620,620	602,030
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	Notes	31 December 2020 Number of Shares	\$'000	30 June 2020 Number of Shares	\$'000
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[b] Movement in ordinary shares on issue

Unrestricted shares

Balance at the beginning of the period	1,151,472,447	602,030	1,123,865,435	583,395
Shares issued under Dividend Reinvestment Plan	25,688,736	18,337	27,607,012	18,635
Shares fully paid under LSP	1,123,851	253	-	-
	1,178,285,034	620,620	1,151,472,447	602,030

Restricted shares – Loan Share Plan (LSP)

[e]

Balance at the beginning of the period	5,769,595	-	4,504,295	-
Shares issued under LSP	2,545,900	-	1,705,800	-
Shares reallocated from treasury shares	440,500	-	-	-
Shares forfeited under LSP	-	-	(440,500)	-
Conversion of fully paid shares under LSP	(1,123,851)	-	-	-
	7,632,144	-	5,769,595	-

Balance at end of the period	1,185,917,178	620,620	1,157,242,042	602,030
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Treasury shares:

Balance at the beginning of the period	440,500	-	-	-
Shares forfeited under LSP, not reallocated	-	-	440,500	-
Shares reallocated under LSP	(440,500)	-	-	-
	-	-	440,500	-

[c] Share options

During the 6 months ended 31 December 2020, no options were issued.

As at balance date there were no options on issue (30 June 2020: nil).

[d] Performance rights

During the 6 months ended 31 December 2020, no performance rights were issued.

As at 31 December 2020, there were no performance rights on issue (30 June 2020: nil).

[e] Loan Share Plan

On 1 July 2020, the Company issued 2,986,400 shares (including 440,500 shares reallocated) under the LSP. In accordance with the terms of the LSP, the shares were issued at a market price of \$0.617 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 2021 and 1 July 2025 and the participants remain continuously employed by the Group to 1 July 2021. The award was accounted for as an in-substance option award and the fair value at grant date assessed at \$0.201 per loan-funded share. In calculating this fair value, a Monte Carlo simulation model was utilised over several thousand simulations to predict the share price at each vesting test date and whether the 10% hurdle would be satisfied, with the resultant values discounted back to the grant date. The underlying share price and the exercise price were assumed at \$0.61 and \$0.62 per share respectively, 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 0.26% based on Australian Government bond yields with three year lives, the estimated volatility was 50% based on historical share price analysis, and the dividend yield was assumed as nil.

Notes to the Half-Year Financial Report

16. Dividends Paid and Proposed

During the half-year ended 31 December 2020, a final dividend of \$0.03 per share fully franked (\$34,807,000) in respect of the 2019/20 financial year was distributed by way of \$16,271,000 in cash and the issue of 25,688,736 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 mining, 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		Koolan Island		Unallocated*		Consolidated	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Segment revenue								
Revenue from sale of iron ore, net of shipping freight and realised gains/(losses) on derivatives	65,672	63,722	175,010	166,424	-	-	240,682	230,146
Interest revenue	-	-	-	-	3,515	3,923	3,515	3,923
Segment revenue, net of shipping freight	65,672	63,722	175,010	166,424	3,515	3,923	244,197**	234,069**
Segment result								
Earnings/(loss) before impairment, interest, tax, depreciation and amortisation	18,274	12,048	117,778	76,812	(8,601)	(4,107)	127,451	84,753
Impairment (loss)/reversal	40	647	381	764	-	-	421	1,411
Earnings/(loss) before interest, tax, depreciation and amortisation	18,314	12,695	118,159	77,576	(8,601)	(4,107)	127,872	86,164
Depreciation and amortisation	(111)	(46)	(20,061)	(20,721)	(361)	(356)	(20,533)	(21,123)
Segment result	18,203	12,649	98,098	56,855	(8,962)	(4,463)	107,339	65,041
Finance costs							(454)	(848)
Profit before tax and discontinued operations							106,885	64,193
Items included in segment result:								
Impairment (write-backs) on consumables inventories	(40)	(77)	(381)	(764)	-	-	(421)	(841)
Impairment (write-backs) on ore inventories	-	(570)	-	-	-	-	-	(570)
	(40)	(647)	(381)	(764)	-	-	(421)	(1,411)

* 'Unallocated' includes interest revenue (\$3,515,000), net realised loss on foreign exchange transactions (\$3,242,000), net unrealised loss on foreign exchange balances (\$4,253,000), unrealised marked-to-market loss on commodity derivatives (\$4,696,000), unrealised marked-to-market gain on financial assets held for trading (\$5,812,000) and corporate expenses such as head office salaries and wages.

** To reconcile segment revenue to statutory revenue, shipping freight of \$18,116,000 (2019: \$23,986,000) is added.

Notes to the Half-Year Financial Report

17. Operating Segments (Continued)

As at:

	Extension Hill		Koolan Island		Unallocated*		Consolidated	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Segment assets								
Current financial assets	27,398	16,952	45,392	58,533	394,971	367,533	467,761	443,018
Other current assets	2,229	4,776	34,303	37,666	3,199	1,266	39,731	43,708
Property, plant and equipment	1,383	187	49,598	44,177	322	229	51,303	44,593
Right-of-use assets	-	-	9,629	10,847	878	1,170	10,507	12,017
Mine properties	-	-	294,689	233,785	-	-	294,689	233,785
Other non-current assets	-	-	1,268	1,488	1,201	3	2,469	1,491
Deferred tax assets	-	-	-	-	-	26,165	-	26,165
Total assets	31,010	21,915	434,879	386,496	400,571	396,366	866,460	804,777
Segment liabilities								
Financial liabilities	13,474	18,025	47,410	51,736	9,385	3,382	70,269	73,143
Other liabilities	10,119	11,222	48,000	47,831	1,858	1,856	59,977	60,909
Deferred tax liabilities	-	-	-	-	6,243	-	6,243	-
Total liabilities	23,593	29,247	95,410	99,567	17,486	5,238	136,489	134,052
Net assets/(liabilities)	7,417	(7,332)	339,469	286,929	383,085	391,128	729,971	670,725

* 'Unallocated' current financial assets include cash and cash equivalents of \$92,726,000 (30 June 2020: \$54,333,000), term deposits of \$164,100,000 (30 June 2020: \$182,600,000), subordinated notes of \$81,037,000 (30 June 2020: \$92,557,000), financial assets held for trading of \$55,516,000 (30 June 2020: \$36,407,000), trade debtors and other receivables of \$1,022,000 (30 June 2020: \$1,079,000) and derivatives of \$570,000 (30 June 2020: \$557,000).

Notes to the Half-Year Financial Report

18. Financial Instruments

[a] Foreign currency risk

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

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

During the half-year ended 31 December 2020, there were no US dollar foreign exchange forward contract deliveries.

At 31 December 2020, the notional amount of the foreign exchange hedge book totalling US\$6,500,000 is made up exclusively of collar option contracts over the period January to February 2021 with an average cap price of A\$1.00/US\$0.7235 and an average floor price of A\$1.00/US\$0.6917.

As at 31 December 2020, the marked-to-market unrealised gain on the total outstanding US dollar foreign exchange hedge book of US\$6,500,000 was \$570,000.

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

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

During the period, the Group entered into collar option contracts totalling 270,000 dry metric tonnes ("dmt") of iron ore, with maturity dates spread over the period July 2021 to December 2021. The contracts have floor price protection for Mount Gibson of US\$100-110/dmt (62% Fe CFR) and cap prices, above which Mount Gibson does not participate, of US\$107-133/dmt.

At balance date, these contracts remained outstanding with a fair value loss of \$4,696,000 (2019: \$nil). The fair value of the collar contracts has been recognised in the Statement of Financial Position as derivative financial liabilities.

[c] Fair value of financial assets and financial liabilities

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

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

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

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

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

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

Notes to the Half-Year Financial Report

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

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

The carrying amounts and fair values of the financial assets and financial liabilities for the Group as at 31 December 2020 are shown below.

	31 December 2020 Carrying Amount \$'000	31 December 2020 Fair Value \$'000	30 June 2020 Carrying Amount \$'000	30 June 2020 Fair Value \$'000
Financial assets - current				
Cash	135,066	135,066	111,661	111,661
Term deposits	164,100	164,100	182,600	182,600
Subordinated notes	81,037	81,037	92,557	92,557
Financial assets held for trading	55,516	55,516	36,407	36,407
Trade debtors and other receivables	31,472	31,472	19,236	19,236
Derivatives	570	570	557	557
	467,761	467,761	443,018	443,018
Financial liabilities – current				
Trade and other payables	54,787	54,787	60,915	60,915
Interest-bearing loans and borrowings	10,786	10,786	12,228	12,228
Derivatives	4,696	4,696	-	-
	70,269	70,269	73,143	73,143
Net financial assets	397,492	397,492	369,875	369,875

19. Events After Balance Sheet Date

Subsequent to period end, Mount Gibson has received relevant mining approvals from regulatory authorities for the Shine Iron Ore Project.

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

20. Commitments

At 31 December 2020, the Group has commitments of:

- \$9,191,000 (31 December 2019: \$13,008,000) relating primarily to contractual commitments in respect of mining and transport that are not liabilities at the balance date; and
- \$7,796,000 (31 December 2019: \$2,257,000) relating to capital commitments for the purchase of property, plant and equipment at Koolan Island and Shine.
- \$726,000 (31 December 2019: \$458,000) relating to short-term leases for the provision of plant and equipment.

Notes to the Half-Year Financial Report

21. Related Party Disclosures

Ultimate parent

Mount Gibson Iron Limited is the ultimate Australian parent company.

Director-related entity transactions

Sales

During all of the half-year, Mr Lee and Mr Ferguson were directors of APAC Resources Limited (**APAC**) which has a 35.8% 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.

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

- 227,649 wmt (2019: 277,410 wmt) of iron ore to APAC.

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

	31 December 2020 \$'000	30 June 2020 \$'000
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Assets and Liabilities

Current Assets

Receivables - APAC

519

1,325

Total Assets

519

1,325

Current Liabilities

Payables - APAC

-

-

Total Liabilities

-

-

	31 December 2020	31 December 2019
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Sales Revenue

Sales revenue - APAC

33,269

32,520

Sales revenue - SCIT*

-

12,568

Total Sales Revenue (before shipping freight)

33,269

45,088

- * In the half-year ended 31 December 2019, a former director of the Company, Mr Li, was also a director of Shougang Concord International Enterprises Limited (**SCIE**), the parent of SCIT Trading Limited (**SCIT**), and these entities were guarantor and buyer respectively under a sales agreement for 80% of iron ore from Koolan's available mined production over the life of mine. On 31 May 2019, SCIE and SCIT novated their respective interests under this offtake agreement 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 in the disclosures for the half-year to 31 December 2019.

22. Contingent Liabilities

- The Group has a performance bonding facility drawn to a total of \$6,587,000 (30 June 2020: \$6,587,000). The performance bonds secure the Group's obligations relating to environmental matters and infrastructure.
- There are amounts totalling \$4,500,000 payable to third parties that are contingent on the commencement of production and commercial sale of iron ore from the Shine Iron Ore Project.
- 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.

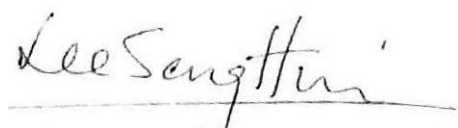
Directors' Declaration

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 2020 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position as at 31 December 2020 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

23 February 2021

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 2020, 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 2020 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 2020 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



Gavin Buckingham
Partner
Perth
23 February 2021